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Management methods

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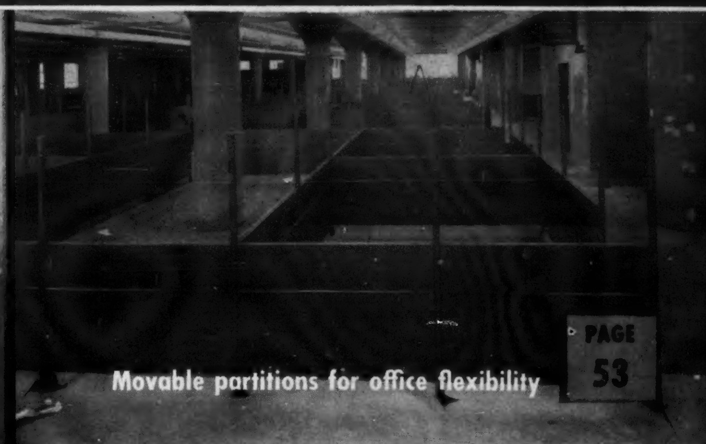
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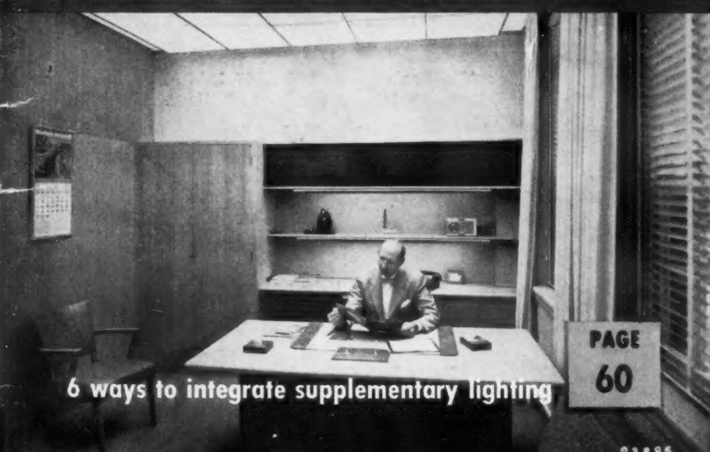
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Management methods

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Much of our editorial material comes from business and management specialists as well as from active businessmen at all levels of management.

Most articles employ case histories. An article may be based on a single case history or can be built around a group of related case histories. We like to mention the name of the user company involved in each case history.

We endeavor to return all manuscripts. However, we assume no responsibility for material not specially requested by us.

september

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consensus

ELECTRONIC BRIEFS WORTH REPEATING

Corporation presidents and automation

"Corporation presidents have to realize that automation is not applicable to all manufacturing and processing plants without due considerations of economic factors. It cannot be put to work on production lines on a piecemeal basis. One cannot introduce a piece of a system here, or a shelf-purchased item there. What is of paramount importance, as far as top executives are concerned, is that close attention must be given, in any consideration of automation, to a strong operations research approach, including an extensive system analysis. . . .

"Probably because computers are so far advanced today, the corporation president is likely to find that present applications of automation are best exemplified in the office, in the data handling aspects of today's industry. Here we have a new way of processing and presenting information rapidly. The problem is one of materials handling, not merely a new way to sort the same number of papers or cards.

"Here again it must be understood that the president cannot simply buy a computer, irrespective of its cost, and merely have the salesman plug it in. An elaborate study becomes essential. The president will wisely turn to the operations research or systems analysis approach previously mentioned, in order to fit the computer, irrespective of size or cost, into the problem being solved. . . ."

HENRY BLACKSTONE, *President of the Servo Corporation of America, and* DR. CHARLES N. KIMBALL, *President, Midwest Research Institute.*

Computer to watch inventory

Nuclear Development Associates, Inc., White Plains engineering firm, is building an electronic "brain" to watch over 35,000 inventory items in the stockroom of the Otis Elevator Company, Yonkers.

The machine will cost more than $200,000 to design, build, test, and install. The manufacturer estimates it will save the company $120,000 annually in controlling the $10 million inventory it carries to build and service elevators in its worldwide operations.

The massive inventory is required because no two elevators are alike and Otis is prepared to service and maintain any elevator it has ever installed. This includes more than half of the elevators in the world.

Otis carries more than 70,000 inventory items but about half were eliminated from the automatic control system for reasons of low turnover or low cost.

Ten typists will feed about 20,000 items of information into the computing machine daily. The information will be punched on a tape similar to that used by teletype machines, from which it will be fed onto a magnetic tape which will store the information.

OSSINING CITIZEN REGISTER

Automation explained to employees

The Adventures of Ripp Vann Twinkle, a 16-page booklet on automation, explains in easy-to-understand words and pictures that automation is nothing new. It merely means Increased Industrial Productivity, and has been around and in use in some form for centuries, even though the word

itself is new to many people. The booklet helps an employee see the importance of automation to his company in keeping up with, and ahead of, competition, to insure his job and the future of his particular company.

Author Mike Denyes concludes: "Call it AUTOMATION if you will. By any name, Increased Industrial Productivity has always meant more jobs, better jobs, higher wages, and a higher standard of living for every working American."

For sample copy and prices, circle number 392 on the Reader Service Card.

. . . .

Electronics and job evaluation

"The introduction of automation means a shift in the functional division of labor. Automation implies a reduction in the direct labor force and an increase in the indirect force — in other words, the number of specialists required for repair and maintenance.

"While automation does not necessarily cause a decline in the total of employment within an industry, or even any firm, it does require retraining of individual workers so that they may perform the new tasks required. Industry must plan ahead for this transition — to see that the required skills will be available in the proper quantity, as well as to ease the problem of displacement for individual workers. Changes in outside hiring policies can cushion the impact on the firm's employees of the new manpower requirements.

"New jobs mean new classifications and this in turn implies a changing wage structure. Job evaluation plans must be made to accommodate the new skills and tasks. With the creation of new jobs to replace the old, problems of job equity arise. Frequently those workers with the greatest seniority are not those who can most readily be transferred to the new jobs. Advance planning must be

(Circle 213 for more information)

undertaken to deal with each problem of relocation and morale."
JOHN DIEBOLD, *John Diebold & Associates, Inc., at an NAM conference.*

Machine "reads" printed numbers

The prototype of a new electronic device which "reads" travelers' checks at the rate of 7,200 an hour and automatically punches the information into punch cards was demonstrated for the first time recently at The First National City Bank of New York by the Burroughs Corporation.

The new Burroughs machine is designed to automatize final processing of the many million National City Bank travelers' checks which are returned for payment annually from all over the world. It is described as the first workable bank equipment to "read" directly from a source document without the need of human intervention or an intermediate coding operation.

George A. Guerdan, vice president and cashier of The First National City Bank, said that the equipment has been undergoing field tests at the bank's Wall Street offices. "Test results have been gratifying," he stated. "The machine does the work more than eight times faster than previous methods permitted. At the same time, it has reduced the traditional error factor of one per cent in key punching to considerably less than 1/10th of one percent. We are confident this new device will go a long way toward solving an extremely troublesome data processing problem."

12,000 mile communications network

Sylvania Electric Products Inc. and Western Union Telegraph Company are working jointly on a nationwide 12,000-mile private electronic com-

munication system, linking 51 cities with Sylvania's Data Processing Center to be constructed at Camillus, N. Y., near Syracuse.

Leon C. Guest, Jr., Sylvania Controller, said the company has contracted with Western Union to provide the specialized communications facilities which will link Sylvania's plants, laboratories, sales offices, warehouses, divisional headquarters, and executive offices. These various installations will feed financial and production information via the leased Western Union network to the Data Processing Center, where the data will be immediately summarized for corporate and for decentralized management.

The Center will provide centralization of data processing functions —the gathering, recording, computing, and classifying of a wide variety of information concerning production volume, sales, billing, and many other types of business activities—in one large facility. The heart of the Center will be a "Univac" machine which Sylvania will lease.

. . . .

Automatic programming offered

The development of automatic programming for the Univac, turning months of problem preparation time into a matter of minutes, was announced recently by John E. Parker, vice-president for electronic computer sales, Remington Rand Division of Sperry Rand Corp.

The development of automatic programming widely expands the horizons of computer applications, and makes the computer do much of the actual work of instructing itself, emancipating the mathematician, scientist, and systems and procedures experts from the time-consuming task of coding, writing and checking programs.

For further information on any of the automatic programs, write Remington Rand Division, Sperry Rand Corporation, 315 Fourth Avenue, New York 10, New York; or circle number 388 on the Reader Service Card.

(Circle 224 for more information)

$ $ $ $ $ tax tips $ $ $ $ $

TEST YOURSELF on recent tax court cases

THE AUTHOR: *Benjamin Newman is a tax attorney specializing in estate planning and real estate. He is associated with Koenig and Bachner, New York.*

THE QUESTION

Does the failure to file a tax return subject the taxpayer to a 50% civil fraud penalty?

THE FACTS

Although Taxpayer had received taxable income for a long time, he had never filed an income tax return. Taxpayer was 71 years old when he gave his testimony in this case, stating that he knew nothing about bookkeeping, had never kept business records, and had never been told by anyone that he had to file an income tax return. He had heard of income tax, but thought he "wasn't making any income." Taxpayer did not know he owed tax, and had no fraudulent intent to evade tax.

Taxpayer's failure to file income tax returns was first brought to his attention by a telephone call from an Internal Revenue Agent asking the taxpayer to come down to see him. Not realizing the importance of the matter, Taxpayer said he didn't have time. The agent advised that he better have time, and so the taxpayer went. It was then determined how much tax was owed, and Taxpayer was duly taxed; interest was added; a 25% negligence penalty was added; and upon this was added a 50% fraud penalty. Taxpayer objected to the 50% penalty addition, and contended that it should not have been added to his tax.

THE RULING

The facts clearly show that Taxpayer's dereliction in this case consisted only in willful omission and passive neglect in failing to file income tax returns. As to both the civil and the criminal provisions of the Internal Revenue Code, Congress distinguishes between the taxpayer who is guilty of mere passive failure to pay his tax, and the taxpayer who is guilty of an affirmative attempt or practice of fraud to evade such tax.

The 25% addition to the tax was correctly added because taxpayer willfully failed to make returns required of him, ruled the Court. However, the 50% assessment was erroneously made because taxpayer's dereliction was passive and included no affirmative act of fraud that caused his tax deficiencies. His deficiencies were not "due to fraud with intent to evade tax." Only the commission of acts of fraud with intent to evade tax affords a basis for the 50% addition to tax. (First Trust & Savings Bank vs. United States, 1953)

THE QUESTION

Are the proceeds of life insurance chargeable with the unpaid Federal Income taxes of a decedent?

THE FACTS

The widow of Francis A. Kramer was the administratrix of his estate and beneficiary for his life insurance. Prior to receiving notice of liability for her husband's unpaid Federal Income taxes for 1943 and 1944, the widow had paid the full amount of Federal estate taxes due. In paying such taxes, however, the assets of the estate, other than life insurance, were exhausted. The Govern-

ment assessed deficiencies against the estate, claiming that the proceeds of the life insurance should be applied to payment of the estate taxes first, thereby leaving enough other estate assets for the payment of the income tax.

THE RULING

To the extent that the estate tax was paid out of estate assets, the widow in effect made a distribution to herself before discharging the estate's liability for the unpaid income taxes of the deceased. The widow, as administratrix of the estate, owed a primary duty to the United States and all creditors to collect all of the assets of the estate. To the extent that she failed to collect from herself personally any of the assets of the estate chargeable with unpaid income tax, the widow was liable. In effect, for estate tax purposes, the insurance proceeds were a part of the estate. It was the duty of the widow, as administratrix, to collect such assets and to handle the estate so that all of its liabilities would be discharged before she received any distribution from the estate of any of the proceeds of the insurance liable for the payment of estate tax. Accordingly, the widow was required to pay the income tax deficiencies, even though they had not been assessed until after the estate tax had been paid. (U.S. vs. Gilmore, U.S. Court of Appeals, May 4, 1955)

THE QUESTION

May a former corporate officer be held liable for unpaid Federal employment taxes of the corporation?

THE FACTS

The Justrite Toy Works, Inc. was organized in January 1948 by Max Eibetz and his children, Stanley and Shirley (Shirley's married name was Philipson). After the Corporation was formed, Shirley was elected Vice-President and Secretary, and was also a director of the Corporation. On January 27, 1949, she resigned as an officer and director of the Corporation.

During the period from January 1, 1949 through June 30, 1950, the Corporation became liable to the Government for Federal Insurance taxes, Federal Unemployment taxes, and Federal Withholding taxes; and in January the Commissioner of Internal Revenue made a jeopardy assessment amounting to $2,953.54, against Shirley Philipson, as an officer of Justrite Toy Works, Inc. Shirley paid the assessment, and then filed a claim for refund, contending that she was not liable for unpaid employment taxes of the company.

THE RULING

Here the proof clearly indicates the plaintiff legally resigned as an officer and director of the Corporation on January 27, 1949, and her father was elected to succeed her. This fact is confirmed by the resolutions pertaining to the signing of checks submitted to the Chase and Modern Industrial Banks, following Shirley Philipson's resignation. Thereafter, the plaintiff signed no corporate checks, had no control over corporate funds, signed no corporate tax returns, and was not active in the affairs of Justrite Toy Works, Inc.

Accordingly, concluded the Court, since the plaintiff wasn't an officer or director or employee of the Justrite Toy Works, Inc., she could not be held liable for the payment of the corporate taxes under the Internal Revenue Code, and was entitled to a judgment of $2,953.54 against the United States, together with interest. (Philipson vs. U. S., U. S. District Court, May 16, 1955)

THE QUESTION

May the Government levy upon property in the joint names of Taxpayer and his wife where Taxpayer alone owes the Government money for taxes?

THE FACTS

In 1950, the Commissioner of Internal Revenue assessed income taxes, penalties, and interest against a taxpayer for the taxable years 1943 to 1946. The deficiency assessment amounted to $129,960.67. A notice of tax lien was accordingly filed with the County Clerk of the county where Taxpayer resided. Shortly thereafter, a notice of levy was served upon the bank where the taxpayer kept his deposits and possessions for safekeeping. At the time this notice was served, the bank had in its custody for safekeeping, 150 Series E Government Bonds of the maturity value of $25.00 each, registered in the name of Taxpayer and his wife. Could the Government levy upon these bonds to partially satisfy the tax liability of Taxpayer?

THE RULING

Since the bonds were registered in the names of Taxpayer or his wife, they were owned by Taxpayer and his wife as joint tenants during their lifetime. In a joint tenancy, each tenant owns a pro-rata undivided interest in the whole. Upon the death of Taxpayer or his wife, the bonds would belong to the survivor. As a joint tenant, Taxpayer's wife had the right at any time to demand the delivery of the bonds from the bank. She could then sell them and collect whatever was due her on the bonds. This right could not be taken from her by levy or distraint based upon an assessment against her husband. Therefore, concluded the Court (in U.S.A. vs. Stock Yards Bank, U.S. Dist. Court for the Western District of Kentucky, decided November 24, 1954), the United States of America acquired no right to the bonds, and its levy against the bank was of no effect.

THE QUESTION

Does a U.S. Government tax lien against the property of a taxpayer take priority over the claims of a subsequent purchaser of that property?

THE FACTS

A 1950 Oldsmobile purchased by an innocent party for $1500 from Grady King was seized by the Government to

satisfy a tax lien against Grady King and his wife. Notice of the Federal tax lien had been filed by the Collector of Internal Revenue with the County Clerk against all property and the right to all property of the Kings, before Mr. King sold the car. The auto was levied upon, notices of sale at public auction were posted, and the car was sold to the highest bidder. The innocent purchaser of the King automobile brought an action against the United States to recover the $1500 he had paid the Kings for the car, plus interest and costs. It was his contention that the government did not have the right to take the car since he had purchased it for value.

THE RULING

The U.S. Government had a tax lien against all of the property belonging to the Kings, which had been filed with the County Clerk in the proper manner. The automobile had been purchased from the Kings after the tax lien had been placed on their property. It was the duty of the purchaser to check on such liens or claims against the property he was acquiring. Therefore, the Court held that the Government had a valid and superior claim to the proceeds of the sale of the car at auction. (Moss vs. United States of America, decided March 15, 1955)

THE QUESTION

Is Taxpayer liable on a joint tax return when the return was not signed voluntarily?

THE FACTS

Prior to her husband's death, on March 20, 1950, Taxpayer was under strict doctors' orders not to excite her husband in any way, and to comply with all of his wishes. On or about March 15, 1950, the husband told Taxpayer to sign her name on the income tax return for the year 1949. She complied without discussion. The Commissioner now seeks to recover an additional tax upon the 1949 income of Taxpayer's deceased husband.

THE RULING

The signing of the return under the circumstances was not a voluntary act upon the part of the taxpayer, decided the court. Accordingly, she could not be held liable for the tax on her husband's 1949 income. (Hickey v. Commissioner, U.S. Tax Court, June 13, 1955)

sales ideas

How to install a sound sales incentive plan

by C. E. Lambert, Vice President
Marketer's Research Service, Inc., Philadelphia

Study both the pitfalls and advantages for maximum benefit

The sole justification for paying sales personnel extra compensation over and above base salaries is to increase company dollar profits above the point which would have been reached without an incentive plan.

Too often, incentive plans are installed for no other reason than the fact that industry or company custom decrees the sales incentive plan to be essential, per se. Also, sales incentive plans are frequently used, consciously or unconsciously, as an automatic device for judging the performance and capabilities of salesmen — a function that rightfully belongs exclusively to the chief sales executive and his staff. Neither is an incentive plan a substitute for an adequate and competitive scale of salaries. On the contrary, any of these practices frequently results in damaged field morale, high administration costs, and, above all, incentive payments which have not been justified by parallel increased company profits.

The principle of increased profits is best demonstrated by the piece rate systems prevailing in the manufacturing field. Piece rates are based upon the normal working pace of production workers. As the worker exceeds his base production rate, he receives extra compensation. Likewise, management obtains additional production from the proceeds of which are disbursed only a portion of the labor costs which would otherwise be incurred. Management's profit position is thereby enhanced.

The heart of the matter is, therefore, to first determine what constitutes a "normal" level of sales which would be achieved by a sales force without the incentive provided by extra compensation. (This figure will be referred to as the sales "quota" for purposes of convenience, although some companies raise the quota to a desired sales goal and then begin incentive payments at a designated percentage of the goal.)

Setting up quotas

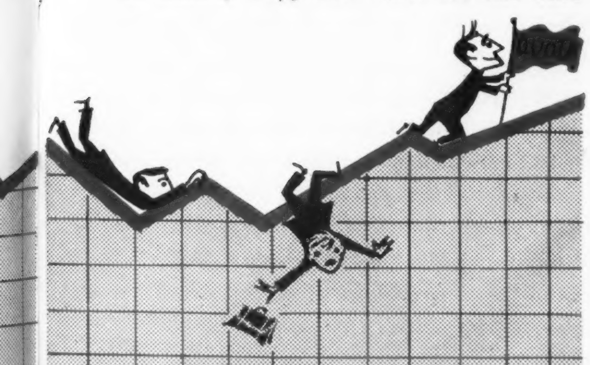
The problem of setting realistic quotas becomes troublesome when one considers the case of a company (and there are thousands of these) whose sales of product "Y" are expected to decrease during the forthcoming sales incentive plan period. The expected decrease may be due to a host of reasons,

such as smaller product market potential, technological changes, less favorable economic conditions, and other factors beyond the immediate control of the company's sales department.

If a quota is set which takes these factors into account and is lower than the preceding year's actual sales, an unfavorable psychological climate develops. The sales department may be open to the serious charge by management that they over-estimate the importance of external sales deterrents. This is a particularly difficult position to support because an evaluation of obstacles to increased sales is usually difficult to substantiate with irrefutable facts. The typical sales department, therefore, is under strong pressure to "raise their sights" and install quotas which are at least no lower than the prior year's sales. If such quotas are set and the anticipated sales decline materializes, the selling organization will fail to qualify for incentive payments. This is true even though their extra efforts may have prevented the slide in sales from being more severe than it actually was. Sales management may have the option, under circumstances such as these, to make special payments to the field sales force. But even so, these are usually both too late and too little. In any event, the remedy for unrealistic quotas is not to set them too high (or too low) in the first place.

Territorial quotas

Let's assume that it has been possible to establish a soundly realistic sales quota for the company. The quota must then be broken down into territorial quotas. Assume the total quota is equal to a 10% sales increase over the prior year. A simple method would be to establish each sales territory quota at exactly 10% over sales for the base year. However, market conditions vary widely among territories. Chain store outlets are weaker in some areas and stronger in others. Price competition may be rougher in certain metropolitan areas than in others. Available distribution may be weak or entirely lacking.



The usual method of coping with this situation is to attempt to establish a market potential for each territory and then to base quotas upon the market potential figure. Also, the same purpose is accomplished by utilizing sales management's experience with regard to individual territories.

Neither of these methods is foolproof. In the first place, area market potential figures for most products are not easy to obtain. As a result, the sales managers may be forced into the position of assuming that market conditions are approximately the same in every territory, or that a purely statistical indicator or market potential can be used in establishing a specific sales quota. Unfortunately, a quota is a very precise figure whether it be dollars, units, or gross margin. Measured against the imprecision of many market potential figures, a formidable obstacle to the establishment of sound, realistic sales quotas exists in such cases.

There's nothing new about these stated problems—and experienced sales managers have encountered them time and again. At this point it would be advisable to set forth the questions that sales management should ask before embarking on, or continuing, a sales incentive plan:

1. Will a sales incentive plan produce measurably increased company profits?

More often than not, it is tacitly assumed that a sales incentive plan will automatically make a salesman sell harder and, therefore, increase company sales and profits. However, every businessman knows that the process of creating a profitable company depends upon the skillful integration of wide-awake marketing techniques, economical and efficient production, advanced, practical engineering and design, and wise and adequate financing. To suppose that a sales incentive plan will, *alone,* necessarily lead to increased company profits is to ignore the facts.

External factors may enter the pic-

ture, too. There may be a trend away from the use of a product by consumers or industrial buyers. For any one of the various reasons, company sales of a given product may have reached a period of status quo, or even decline, which the sales department may be unable to overcome. In such cases, a sales incentive plan becomes a needless burden on the company and impairs the morale of the field sales force.

2. Is it possible to set realistic sales quotas which each salesman will have approximately an equal chance of meeting?

Setting quotas for each individual salesman's territory is more difficult than establishing a total company sales quota. Production market potentials and competitive conditions may vary so widely by area that it becomes a practical impossibility to set realistic territory quotas. If this is the case, it might be advisable to establish "group" quotas, in which each territory salesman will share equally in rewards earned by his group. This procedure tends to water down individual incentive but may be offset by advantages which are gained in the prevention of even grosser inequities.

3. What type of sales incentive plan should be installed?

In selecting a particular plan, quotas must be set in such a way as to obtain the fullest confidence of salesmen. If arbitrary adjustments are made to quotas, which cannot be readily justified to the sales force, considerable harm may result. Secondly, the sales incentive plan itself must be simple. A salesman must be able to follow the method used in computing his incentive pay, or the whole purpose of the plan is negated.

Sales incentive plans are only *one* tool available to management for increasing sales. They are not a cure-all. An incentive plan cannot be counted upon to control field expenses, weed the sheep from the goats, act as a substitute for competitive salaries, and produce tomorrow's Utopia today. An incentive plan produces in direct proportion to the amount of sound, hard thinking that goes into the plan in the first place. m/m

Choosing the right trademark*

by Stewart W. Richards
Beer, Richards, Lane, Haller & Buttenwieser
New York

As anyone knows who has had a hand in bringing a trademark into this world, most of the symbols suggested are worth about a dime a dozen. Many are called but few are chosen and all too frequently the ultimate selection is made without a clear understanding of the type of trademark that would be the most appropriate. Time spent at the outset in analyzing your business, your product, and your market will pay off later on. Just any trademark won't do.

Is your product a consumer item, or one consumed by industry like carbon black in the compounding of rubber? A name appropriate for one might not be for the other. The woman who drives on U. S. Royal tires undoubtedly does not know and wouldn't remember the brand of carbon black used in the rubber and the carbon black producer doesn't care that she should. But if you are a slide-fastener manufacturer, you may want milady to remember your mark and insist on your Talon fastener in the placket of

Talon

the dress she buys. What sort of a mark would appeal to your type of customer on the kind of merchandise you sell? What media will you use in promoting your product? Will it reproduce well on TV, for example? Is your new trademark to be used on more than one product? These are only a few of the questions you should ask and answer for yourself. In selecting a trademark that may some day be worth millions of dollars, there is no substitute for intelligent planning.

What a trademark does

Before starting out in search of a trademark, be sure that you know what a trademark is. In very simple terms:

> A trademark is a symbol used by a manufacturer or merchant to identify his goods and distinguish them from his competitors'.

"Great layout. Like the whole campaign. Shoot the works. By the way, what the hell is Z9?"

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If the trademark you select is confusingly similar to a mark already in use by another company on the same goods or on a kind of goods that the public might expect would be made by you, you are in trouble in more ways than one. Obviously the mark does not distinguish your goods. Quite apart from your possible liability as an infringer, it does not make sense for your advertising and merchandising departments to promote the sale of some other company's product. Furthermore, if that company has an inferior product, you stand to inherit customer dissatisfaction with its product. So before reaching any firm decision as to the mark to be selected, it is obviously essential that a careful search be made to determine whether the same or a similar trademark has previously been used on goods which might be expected to have some connection with your company.

The trademark you select should be a good salesman. It should be a congenial symbol with sufficient drawing power to persuade the customer of the desirability of your product on which it appears. If you choose a coined word like Kodak, the selling power of the

Kodak

mark must come from the advertising put behind it and the reputation for quality which your product acquires in the course of time. It may have a striking appearance or sound, but at the start it is merely an eye-catcher without a message, a shout without a sentence. Many people prefer this type of mark because, as we shall see later, it is easier to enforce and protect against imitators. Other people, however, believe a trademark should also function as a compressed advertisement; it should say something. They prefer to select a mark which initially carries a favorable connotation or suggestion. Life Savers for a candy mint, and Seventeen for a fashion magazine for girls are examples. Sometimes such marks suggest some characteristic of the product or benefit to be derived from using it. Others might be said to have "class appeal." Perhaps a man drinking Lord Calvert whiskey may feel some connection with "The Man of Distinction." These marks might be said to have a head start over the coined meaningless marks.

Using existing marks

We shall assume you are in search of a trademark for a product you are about to market. Bear in mind that there are over a half-million marks registered in Washington today which taxes originality and imagination in

* This article is the first chapter of a new book entitled *Trademark Management: A Guide for Businessmen.* The book sets forth the complex policies concerning all phases of handling a company's trademarks. It may be purchased for $5.00 from The United States Trademark Association, 522 Fifth Avenue, New York 36, N.Y.

choosing one that is different. If you are already using one or more trademarks, why not consider extending the use of one of them to your new product? This might involve a choice between using your "house mark" or a secondary mark you have been using on a specific product, sometimes called a "special product mark."

House Marks: If you have a famous basic or institutional mark that is common to all your products, like DuPont, Vicks, Johnson's, Heinz, or General Electric, you might well decide to bring your new product within the family, so to speak, and simply identify it with your house mark. When Philco expanded its line to include Philco refrigerators, it had already established a name for quality in electrical household goods. Presumably Philco decided its selling job would be easier than pioneering with a new trademark with which trade and public would be unfamiliar. In your case, customers satisfied with your other products are already prejudiced in your favor. Then, too, brand promotion of one item adds to the benefit of all items in your line, some of which may not alone justify the expense of separate advertising. So the house mark has its advantages, with or without a specific product mark. However, until the new product has proved itself, some owners are reluctant to risk their house mark to customer ill will.

Special product marks: If you do not wish to use your house mark, you may find it is advantageous to take another trademark you have previously been using on a specific product, and extend its use to your new product. Listerine began as a trademark for an antiseptic, and was later extended to toothpaste and mouthwash. Band-Aid, initially a one-product mark, is now on such products as cohesive gauze.

However, you may feel that your special product mark is not suitable for the job at hand. Others have faced a similar choice and presumably have come to the same conclusion. The owner of the trademark Alka-Seltzer puts out vitamins, but not under that trademark, although the vitamins are advertised as made by the makers of Alka-Seltzer. Kleenex having acquired a reputation for a facial tissue, its owner apparently thought it would be better to use a new trademark (Delsey) on toilet paper. Vaseline has so long been used as a trademark for petroleum products it might be considered unsuited for vitamins or toothpaste, although legend has it that Mr. Chesebrough swallowed a spoonful of his petroleum jelly every day of his life. Swing-A-Way, used on can openers, would probably be entirely inappropriate on a piece of stationary kitchen hardware, and Kum-A-Part on separating cuff links would not do for those that don't. However, Frigidaire was extended from refrigerators to stoves, and Hotpoint, reversing the field, was extended from stoves to refrigerators. So there is precedent both ways.

Derivative Marks: You might also consider coining a derivative from one of your existing trademarks. Eastman did this to good advantage when it adopted such marks as Kodachrome, Kodacolor and Kodascope.

Selecting a special product mark

Let us assume that none of your existing trademarks will answer your purpose, and you are in search of a new one. There are roughly three types of trademarks to choose from:

Meaningless: These are arbitrary marks which initially at least, connote nothing about the product or its use. In this group are (a) coined words like Kodak, Zonite, Marfak, Dreft, Yuban, or derivatives from coined words such as Kodachrome and Zonitors, (b) common words in the English language, like Camel for cigarettes, President for suspenders, Shell for gasoline, (c) numbers such as 4711 on cologne and 66 on gasoline, (d) letters such as RCA, A & P, and the GE monogram, (e) historical or mythological characters like George Washington coffee, and Venus pencils, and (f) picture marks like those of White Owl and Red Owl (see below).

The White Owl mark identifies a popular cigar. The Red Owl at the right is the redesigned trademark of Red Owl Stores, Inc.

These are examples of monogram trademarks that are identified with the initials of those companies they represent.

From the standpoint of sales promotion, these trademarks necessitate teaching indifferent people to associate the product with a meaningless term in their daily speech.

Suggestive: These are likely to be more appealing to the customer, more easily remembered, and, therefore, easier to promote. This type of trademark is not descriptive of the product and enjoys the broad legal protection afforded the meaningless trademark while also catering to the desire of the sales and advertising staff for a connotation or significance that assist sales and promotion. There is risk in adopting such a mark, but many think the advantages outweigh the risk. The problem is how to be sure that the trademark you select *is* suggestive, and not descriptive, for words or symbols that are descriptive of a product are open to all to use. Unfortunately, you can never be sure until the court of last resort has ruled on it. COPPERTONE, an

COPPERTONE

excellent suggestive mark, was nevertheless initially held to be descriptive of a sun-tan preparation, but the ruling was quite properly reversed on appeal. However, if a court should subsequently hold that your mark was descriptive, all is not lost if you can show that by extensive advertising and sale of your products during the interim, the trade and public has come to regard that descriptive term as an indication that the goods came from a single source. This association is called "secondary meaning."

TALON for slide fasteners suggests strength in gripping and holding, while SWAN for soap brings to mind delicate whiteness on water. HALO for a shampoo conveys an impression of soft highlights in the hair after washing. Similarly MALLARD is an excellent trademark for a raincoat, which the company tells us "sheds showers like water off a duck's back." DIAL on soap, certainly when taken in conjunction with the company's "Round the Clock" promotion suggests lasting body freshness. And who is there that some time or another has not regarded mints as LIFE SAVERS? ELASTIC was held to be a good suggestive trademark for sectional bookcases. However, if you overdo the suggestiveness, you step over the line, so to speak. For example, ELASTIC SEAM was held to be descriptive of men's drawers having an expandable seam.

Descriptive *of the product, the name of the owner or the place where the product came from:* This type of mark can only become a trademark after you have used it for an indeterminate period of time when the trade and public have come to associate a secondary meaning with the term. For example, the primary meaning of NU-ENAMEL on paint or enamel is "new enamel," yet NU-ENAMEL was held to have also acquired a secondary meaning indicating a product coming from a single source.

Similarly, WALTHAM, used as a trademark on watches made in Waltham, Mass., has been held by the courts to have acquired a secondary meaning indicating a single manufacturer as the sole source of the goods. In the same manner, DAVIS has come to be a good trademark for baking powder, WHITMAN for candy, and ELIZABETH ARDEN for cosmetics and toilet preparations.

The law jealously protects the right of every man to use his own personal name in his business. He must, of course, use it fairly. Disputes as to what constitutes fair use, however, are what make law suits. It seems fair to say that adoption of a personal name is an invitation to the unscrupulous who may bear the same name to embark upon the same or a similar business as soon as you have made it commercially attractive to do so, and to reap the benefit of your blood, sweat, and tears without the expenditure of a dime. When business began to incorporate, the popularity of choosing the personal name of the owner and founder as the symbol of origin fell off sharply, so that the selection today of such trademarks is believed to be the rare exception rather than the rule. There are, however, many fine personal name trademarks functioning today, but their inception dates back many years, such as GILLETTE on razor blades, JOHNSON'S on baby products,

Johnson's

WATERMAN on pens, and ARMOUR on meat products.

ARMOUR STAR

What we have said, however, has no application to names of objects, persons, or places that are arbitrary selections and do not describe the product on which they are used, or the place where the product comes from, or the name of the proprietor of the business. For example, AUNT JEMIMA, fictitious or otherwise, is a good trademark for pancake flour. CAMEL, an English word describing a beast of burden, is a valid

and valuable trademark for cigarettes. AMERICAN GIRL on shoe, and PARIS on men's garters, are non-descriptive uses of geographical terms as trademarks. However, a geographical name, arbitrarily used, must not be deceptive as to the geographical origin of the goods. Since Paris is famous for perfumes, it would probably be deceptive to select PLACE VENDOME as the mark for perfume made in the United States.

Sources for coined trademarks

So much has been written on the coinage of trademarks starting with meaningless marks like DREFT, YUBAN, etc., that the subject has been reduced to something approximating an exact science with such things as name-finder wheels which purport to give you all the possible alphabetical combinations of any desired length, three letters and up. From the same sources, you can also obtain advice as to which combinations are most pleasing to the ear, those that might be easily remembered, etc. Whether it is possible to choose a combination which by appearance and sound might convey some sensation or mood, like background music in a movie, is a matter for conjecture.

From the pure turn-of-the-wheel selection, the search for coined words moves into the next area having some rhyme or reason behind it, but the resultant product is still a non-sense term. VEL for soap powder presumably was arrived at by dropping the first and last syllables of "marvellous," since the company's TV promotion refers to the product as "Mar*vel*lous VEL." Perhaps, as the race track boys would say, FAB soap powder is out of "fabulous" by "fabric," and REM cough medicine was sired by "remedy."

As the coinages approach honest-to-goodness words of the English language, the resultant words may enter the field of suggestive marks. To the name of the discoverer of asepsis is added a tiny suffix, meaning to pertain to, and we have LISTERINE. The suffix, however, may not have any meaning, such as the "O" in JELL-O. An English word is mis-spelled and we have TREET for processed meat and DUZ for a soap powder. A letter "R" is added and we have ARRID for a deodorant which probably is meant to imply that the product drys up perspiration.

Presumably, telescoping of words produced such trademarks as SPAM (spiced ham), QUINK (quick-drying ink), and NAIR (no hair, for a depilatory). Others like FRIGIDAIRE, SHELVADOR and NO-TO-BAC are coined from compounds of common words SUNOCO like NABISCO, are also telescopings of the company name, viz.: Sun Oil Company and National Biscuit Company.

And finally we have the mis-spelling of English words that are no longer suggestive, but descriptive of the product, such as NU-ENAMEL for enamels and paints.

Marks that offer problems

We have tried thus far to present both the practical and legal consideration involved in choosing a trademark from each of the three general types of marks available to you. There are some marks, however, that are worth a special word of caution because of the particular problems posed by each.

Grade, shade, and style marks: Some years ago a coffee roaster put out several blends or grades of coffee, one of which had been sold in large quantities to railroads, another to hotels. The former was called DINING CAR SPECIAL COFFEE, the latter HOTEL SPECIAL COFFEE. These terms were held to be so descriptive of the particular class of purchasers to whom the goods were sold that they did not function as indications of source.

It is possible for a term to serve both as a trademark and as a grade-mark, provided it is primarily used as an indication of origin, and the grade marking is incidental. Examples are GULFLUBE and GULFPRIDE used by the same company on two different grades of oil, and BOKAR and RED CIRCLE used by another company on different blends of coffee. Such, perhaps, may be the status of some of the so-called "shade marks" or "fragrance marks" so frequently used by cosmeticians, viz.: INVITATION on a lipstick of a particular shade, or ENCHANTMENT on a perfume

of a particular fragrance. However, advertising of some cosmetic companies frequently tends to negate trademark significance by over-employing such names as describing various "shades," rather than the source of the goods.

The dual use of a term as a trademark and as a grade or shade mark may involve risk. It is particularly important to avoid choosing a descriptive term as a trademark if it will serve a dual use. Do not select a trademark or a term you are already using to describe your product, be it grade, shade, or style.

Ingredient marks: This type of mark could be called another example of the "have-your-cake-and-eat-it-too" philosophy. You may find it advertised in some such fashion as this: "VENUS DE MILO face cream, contains INFILTRATION, the company's trademark for that penetrating chemical, monoglycolphenotoxicleusogene." You cannot blame them for coining a short name for our complicated hypothetical chemical.

Though identified as a trademark, the question might well be asked whether the term INFILTRATION is not actually used as a short name to describe an unpronounceable chemical ingredient which the company does not sell apart from the face cream.

The problem here is the same as with grade marks. It is all a question of fact. If the trademark serves two purposes, it still may be valid, but if it is more the name of an ingredient than an indication of origin, you may be headed for trouble. For example, in refusing initially to register IRIUM as a trademark, the Patent Office pointed to the company's advertising that "Pepsodent Toothpaste Alone Contains Irium," as indicating quite clearly that IRIUM was there used as the name of this new ingredient, not as a trademark indicating origin. On a later showing that the company was using IRIUM as a trademark in connection with the separate sale of the chemical, registration was subsequently granted.

Usually this type of trademark is used to identify special properties found only in the product of a particular manufacturer. Thus, one company advertises "IPANA with WD-9 destroys enzymes—IPANA's special type of enzyme destroyer," while another promotes New Colgate Dental Cream with GARDOL, "COLGATE's long lasting anti-enzyme ingredient." Similarly, we are told that SHELL Gasoline has TCP, and that PHILLIP MORRIS cigarettes contain DI-GL.

Trademarks in common use: Laudatory terms such as BLUE RIBBON, PREMIUM, GOLD MEDAL, and others frequently used, like NATIONAL, EAGLE, GENERAL, are weak marks. These terms are used on so many different items and by so many different companies that their distinctiveness (capacity to indicate source of origin) has been largely dissipated. The scope of the relief which courts afford to an owner of one of these trademarks is pretty much limited to enjoining its use by another on goods that are practically identical.

If you are about to choose a new trademark, why adopt as your symbol of origin a term that is in common use? These terms are over-worked. Select a trademark that is different and meets the necessary legal qualifications to give you broad protection.

Double trademarks: We are concerned here with the wisdom of using two trademarks together, when it is possible that the second may be construed as the name of the product (such as camera or automobile), as distinguished from another trademark for that product. It is only mentioned here to direct your attention to the problems that may lie ahead if you are about to adopt a trademark for a new product, which you intend using as the second trademark of a two-trademark combination.

Today, there is no question that "toasted corn flakes" is a product name like camera and automobile, but back in 1916 a cereal company using the term KELLOGG'S TOASTED CORN FLAKES unsuccessfully claimed that the term "toasted corn flakes" was a trademark, just as much as KELLOGG'S. The court refused to enjoin another company from using QUAKER TOASTED CORN FLAKES. The anticipated second trademark "toasted corn flakes" died aborning. It was licked from the start because it described the goods, and the Kellogg Company was unable to show that it had acquired secondary meaning trademark rights in the term—i.e., that the public had come to associate the descriptive term "toasted corn flakes" exclusively with the Kellogg Company.

When the second trademark may have descriptive infirmities, the use of a valid trademark in combination with it as the first of the two may accentuate the descriptiveness of the second, viz.—the public understands the cereal to be KELLOGG's brand of toasted corn flakes. Sometimes, the second trademark, valid initially as a trademark, later becomes the product name because the product was new and the public knew of no other name to describe it, e.g., DUPONT *Cellophane* and BAYER *Aspirin*.

If you are selecting a trademark to be used as the second in a double trademark combination, it is imperative to avoid words that are or might be considered descriptive, and to make sure that there is available for use with the double trademark a short generic term which is, or which may become, well understood by the public as the

product name for that product, e.g., "Kodak Verichrome *Safety Film.*"

Desirable trademark characteristics

Brevity: The trend seems to be towards short one-syllable marks, such as Joy, Spry, Duz, Dreft, Glim, Cheer, Surf, Ennds, Vel, Fab, Nair, Par. They are easy to say, to remember, and to display. The insistence of the public for short trademarks is demonstrated by the fact that The Coca-Cola Company was in a sense led to adopt and use the trademark Coke which had been coined by the public. Similarly, Budweiser was contracted to Bud and Lucky Strike to Luckies.

Easy to remember: This certainly is a must and needs no argument. At the outset, at least, the memory value of the trademark is enhanced if it also has a suggestive connotation. It is not likely the housewife will forget Duz, nor will the man of the house forget Old Grandad.

Easily readable and speakable: It seems reasonable to suppose that having to promote a trademark by adding its phonetic spelling, e.g., Bengue (Ben-Gay), Suchard (Sue-Shard), and Campho-Phenique (Cam-fo-fin-eek), adds to the promotional burden. Admittedly this extra effort may have paid off in fixing the name in the mind of the consumer. However, without compelling considerations, would it not be better to start out with a trademark that is easy to say and to read?

Easily adaptable to any media: Your trademark must quickly and unmistakably identify your product. Unless the radio listener, for example, is able to visualize the correct spelling of your trademark, a potential customer may be lost. On TV, as on the shelves of a self-service supermarket, the visual impact of your mark is important. The attention that is given today to simplicity, punch, and capacity for reproduction in any size or color is illustrated by the modernized Red Owl trademark of the grocery chain, and the AC spark plug mark.

No unpleasant connotations: It is better to smoke out this type of sales resistance before advertising dollars are put behind your new trademark. It can usually be discovered by pre-testing the trademark—that is, trying it out for size, so to speak, on the public by house-to-house or roving reporter types of surveys. One company that did not pre-test its trademark noticed that the sales of its Yankee Clipper alarm clocks throughout the South were falling off. So for the Southern market, the mark was changed to Dixie Bell, which apparently did the trick.

Suitable for export: If your product will go abroad, does the name you have chosen have any unfortunate meaning in a foreign language? Will foreigners have difficulty pronouncing it? Can it be registered abroad? These are important considerations.

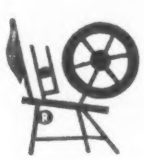
Lends itself to pictorialization: "One picture is worth a thousand words." The promotional possibilities of a trademark are greatly increased if it can be pictured, as well as written and spoken. The remembrance potential of the trademark is greatly enhanced. Certain it is that Four Roses as a trademark for whiskey will be more easily remembered by the pictures of the roses used in advertising and point-of-sale material. The same holds true of the picture of the Flying Red Horse of Socony, the scallop shell of Shell Oil and the Three Feathers mark for whiskey. Mention the mark Quaker Oats and it immediately brings to mind the picture of the Quaker with the broad-brimmed hat on the cylindrical boxes of cereal. General Foods Corporation carries this attribute to the point of packaging the product in a replica of the pictorialized version of the trademark, viz., Log Cabin syrup.

Subtlety: Selection of an appropriate suggestive term can perhaps contribute more to the promotional function of the trademark than any other single factor. Yet there is no area in the selection of a trademark that involves more risk, unless it be the risk of selecting a trademark that resembles a trademark of another already in use. Imagination can make or break a trademark. There are probably more bad trademarks selected because of their anticipated advertising or selling value, than for any other reason.

Be sure they are really suggestive, not descriptive. Beware of selecting a mark like Five Disc Cylinder for a lock when the name describes a characteristic or feature of the article. Trademarks such as this waste your advertising appropriation, and are loaded with headaches when you come to defend or enforce them. There is not much subtlety, for example, in adopting as a mark a picture of your goods, or something which shows their man-

ner of use. The makers of SANI-FLUSH cleaner sued to enjoin another cleanser manufacturer who also used a pictorial representation of a woman pouring a can of powder down a toilet bowl. Said the court: "There is nothing like the frame of a dame, and we cannot see why the defendant is not as much entitled to take commercial advantage of pulchritude as the plaintiff."

On the other side of the line are trademarks like DUZ for soap powder, PEP for a cereal, HOLEPROOF for hosiery, NEET for a depilatory, EIGHT O'CLOCK for coffee, MODESS for sanitary napkins, STOPETTE for a spray deodorant, and IVORY for soap, and such picture marks as the spinning wheel of James Mc-



Cutcheon and Company (suggesting fine linen) and the "His Master's Voice" dog trademark of R.C.A.

Subtlety should be the measuring stick in choosing a trademark which will convey the imagery behind it. Imagine yourself in the customer's shoes. What would persuade you to buy the product? For example, if you were a fugitive from the back-breaking work of stoking your furnace, wouldn't the name of IRON FIREMAN on an automatic stoker attract you? If you were looking for a deodorant, wouldn't the word MUM on such a product persuade you to buy it? And doesn't MERCURY strike you as being a pretty good trademark for an automobile?

Pre-testing proposed trademarks

Many companies are reluctant to adopt a new trademark without some form of pre-testing by public surveys to determine consumer reaction to, and acceptance of, the proposed trademark. Advertising agencies frequently perform this service for their clients, along with pre-testing of advertising and packaging. The expanding field of market research has also brought into being many excellent organizations that specialize in consumer surveys of all kinds. While many trademark owners may regard these surveys as the frosting on the cake, others would like to have this assurance of consumer reaction before they commit themselves to a sizable investment in a nationwide advertising program.

Such testing is usually done when the search for a trademark has narrowed to a comparative handful of eligible names that have met all the many requirements previously discussed. It may be conducted door-to-door or in such other manner as is necessary to interview the particular segment of the buying public whose judgment you want. These surveys may produce the answer to many vital questions, such as:

Does the proposed trademark suggest your product, or some characteristic of it, or of its use?

Does it bring to mind any unpleasant associations?

How easily will your mark be remembered, and for how long?

Does the mark you propose using appeal to the consumer as an appropriate term for face soap, or cameras, or whatever your product happens to be?

Since the trend is increasingly toward the use of surveys in the merchandising of products today, it is conceivable that they may be more widely used to pre-test proposed marks as the search intensifies for *the* mark that will outsell the competition.

It is not easy to select a good trademark—one that is not only good legally, but good in the sense of being the most appropriate you can devise to give the optimum assistance in the sale of your particular product. It takes time, patience, ingenuity, and oftentimes a lot of hard work. The temptation is great to turn in desperation to a dark horse thought up on the spur of the moment. The emphatic answer to that is *Don't!* There is no substitute for intelligent selection. The game *is* worth the candle. It could be that this trademark may be worth millions to you some day! m/m

capsule
HUMAN RELATIONS
reports

Do we need better

EDITOR'S NOTE:

A tremendous amount of research is being done today on human behavior. Behind this research looms the fact that human beings are the most expensive (and valuable) of our business assets. Unfortunately, much of this social research is being done by groups working independently of one another. Findings are not always published. Significant facts are often buried in long and highly technical reports. In addition, many of the researchers are reluctant to have their findings "popularized" by untrained observers who may distort them.

With these facts in mind, we have arranged with Dr. Donald A. Laird, an Industrial Psychologist, to collect and author this series of Human Research Studies. Dr. Laird was formerly head of the Psychology Department at Colgate University, and Director of the Colgate Psychological Laboratory. Later, he was appointed Director of the Ayer Foundation for Consumer Analysis, Philadelphia.

The numbers that appear in parentheses refer to source material texts. These are listed numerically under "Bibliography" on page 30.

How much room is there for improvement in first-line leadership? For at least part of the answer top management should learn how the workers feel about their immediate bosses.

Workers have strong convictions about what they expect of a boss. When the boss comes up to these expectations, production and morale usually improve. When he doesn't, there is often a cold war: worker indifference, dissatisfaction, and, in many cases, subtle opposition.

Management's expectations of what first-line bosses should be jibe only partly with the worker's ideas. Research proves that there's only a 50-50 chance that employees and top executives will agree that a particular foreman is a good leader. (3, 6)

The firms represented in the following case histories are mostly large, prosperous, and leaders in their fields. The records, which both praise and censure the firms, show their leadership to be spotty, i.e. effective in one section, but weak in an adjoining one doing similar work. Such ups-and-downs in a firm suggest that leadership has been of a catch-as-catch-can or inspirational nature, not built on a solid base of operationally tested methods.

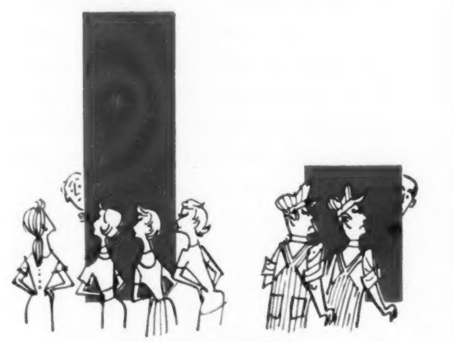
1. WHO DISLIKES BOSSES— AND WHAT HAPPENS?

This chart shows how well two groups of semi-skilled workers liked their immediate bosses. They judged partly on the boss's general personality, and partly on his methods. (14)

Notice in the chart that a larger share of the office clerks disliked their immediate bosses, which may reflect differences in the office and railroad situations. The office work was routine processing; the railroad gangs had an assortment of tasks, indicating the work situation is usually more satisfying when the workers do a variety of operations. (17, 18)

The office clerks were younger than the railroaders, and were generally better educated. It is probable that youthfulness and education gave clerks higher job expectations which, when frustrated, placed the leaders in a less favorable light. (15)

MORE OFFICE WORKERS DISLIKE THEIR BOSS



When a whole crew dislikes the boss, the situation is ripe for a fellow worker to emerge as the real leader. Then, the official boss sometimes becomes a record-keeper and errand boy for the "natural" leader. It may seem surprising, but production and morale often increase as a result, provided the nominal boss takes his role as chief clerk gracefully.

Some firms try to prevent "undercover" leaders from popping up by creating leader teams: a technical expert, or task master, and a personable diplomat who patches up the ruffled feelings that his partner touches off.

Such smoothing-out is sometimes the main function of the assistant foreman, or assistant to the executive. The danger in such an arrangement, however, is that the taskmaster may grow careless about his human relations, and become a liability beyond the aid of diplomacy.

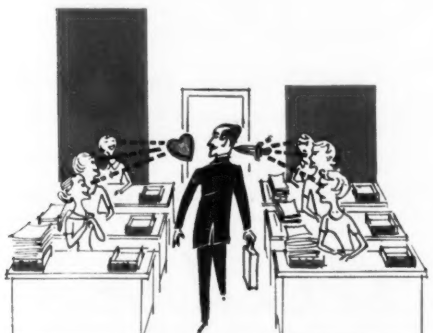
2. DOES BOSSES' POPULARITY SPUR PRODUCTIVITY

The following chart shows worker reaction to human relations methods, not

bosses?

personality, of bosses in 14 office departments of a Kentucky factory. The findings were reported by Dr. Charles W. Lawshe, of the Occupational Research Center at Purdue University. (12)

WHEN THEY LIKED THE BOSS PRODUCTIVITY WAS HIGH



These office workers readily and consistently identified strong and weak points in bosses. Citing desirable human relations traits, these employees approved the boss who:

Is easy to approach with a problem.
Isn't critical when something can't be helped.
Handles complaints promptly.
Listens to employees' suggestions.
Explains how to avoid errors.
Answers questions honestly.
Discusses reasons for work changes.
Recognizes individuals' good work.
Tells workers what's going on.

In evaluating the over-all productivity of each department, such factors as these were considered: how much trouble the work group caused; how it could handle a rush job; how efficiently it could produce answers when needed.

As the chart indicates, the seven departments whose workers perceived their bosses as weakest in human relations averaged a productivity significantly below the

others. Six out of the seven departments where workers gave the least favorable reports on bosses produced below the lowest of the other departments. Apparently these workers knew a good boss when they worked for one.

Does the boss have an accurate idea of how his methods stack up with his work force? Dr. Lawshe found that it depends upon the boss. Those who were best aware of how their people sized them up, were usually the bosses who won the most favorable reports from their workers.

On the other hand, the bosses who were weakest in human relations came farthest from the mark in knowing where they stood with their forces. This suggests that their lack of sensitivity to what workers expected from them helped keep them at the bottom of the heap.

Another study of 685 workers in a public utility office department revealed that slightly more than half of the employees looked upon their bosses as average to poor in handling people. (16)

A few companies now get the rank-and-file to size up a man who is being judged for promotion to leadership. The followers thus help select leaders, and they may give "thumbs-up" to those who are more aware of the way workers want to be handled on the job.

In fact, when employment is plentiful, workers do select their bosses. If a boss doesn't come up to their expectations, they quit and get a job under another, more pleasant boss.

3. WILL A NEW CREW CHANGE A POOR BOSS?

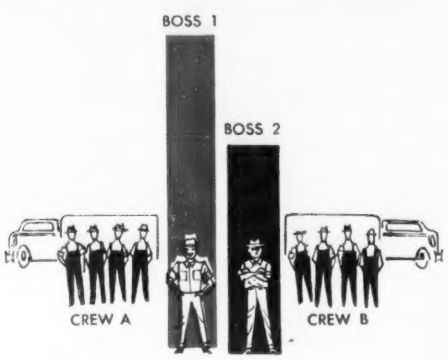
Agreement among workers on what they expect from a boss, gives management some practical objectives in leader-training. Different crews doing similar work want about the same leadership qualities from their boss. This was tested with telephone installation crews in a large city by Dr. Jay M. Jackson. The study was part of the human relations program at McGill University, also supported by the Defence Research Board of Canada, with cooperation of both company and labor union involved. (7)

These installers worked in nine-man crews. There were clearly drawn lines of authority and communication in the organization. The workers understood these from long experience. The supervisors had not been given training; in fact this analysis was a preliminary step in working out a training plan.

Foremen who were judged superior by some crews switched places with foremen whose crews had reported them as below average. Four months later, leadership qualities of the same supervisors were again evaluated by the different crews.

The chart shows what happened when two of the foremen traded crews. Both groups rated Tom a good boss and Joe

SAME BOSSES GIVEN SAME RATING BY DIFFERENT CREWS



mediocre. Similar results were found for all other bosses who had swapped crews.

These established crews apparently had an unwritten standard about what they wanted from their leaders. A new personality did not change their expectations.

One of the crews, accustomed to an exceptional boss, rebelled under their new one. Caution is needed where "their kind of boss" is taken away from the workers. Here's what these linemen crews expected of their leaders:

The good boss:	The poor boss:
Listens sympathetically and tries to remedy complaints.	*Tells off the complainant.*
Discusses a worker's mistakes in private, attempts to help him.	*Humiliates him in front of others.*
Explains seriousness of a broken rule, gives fair warning, and considers the worker's side of the story.	*Bullies worker into better behavior with threats of discipline.*
Knows the rules and interprets them in the best interest of his men.	*Sticks to the rules only when they suit his purpose.*
Explains work when employee is puzzled.	*Shrugs it off as no concern of his.*
Makes men feel free to air a grievance.	*Impresses on them that they'd better not dare.*
Treats each man on his merits.	*Favors a certain few.*
Considers interest of his men in top management dealings.	*Tries only to further his own career.*
Takes a personal interest in his men.	*Takes no interest in them.*

4. HOW OFTEN ARE BOSSES A HIDDEN STRIKE MOTIVE?

Dr. John James measured underlying motives of strikes at a West Coast port, as compared with those of striking employees of a similar organization in the same locality. (8) *(next page, please)*

A much larger share of the strikers were found to be dissatisfied with their relationships with the bosses, and felt that their bosses needed more improvement than did the non-strikers.

There were other consistent differences: the strikers had felt dissatisfied a little longer; they were less certain of any improvement, and they thought it would take considerably longer to occur.

Why didn't the strikers come right out and include the bosses in their demands? They considered it hopeless. The strike was called, on issues over which they felt they had most control—wages and seniority rights. The bosses' methods were not openly mentioned.

This is an illustration of how a gripe can spill over to related things which are not primary causes—like a worker who is bawled out on the job, and punishes his children when he gets home. (13)

BOSSES ARE OFTEN A HIDDEN STRIKE MOTIVE

The force of the boss' motive can be gauged on six counts:

1. Amount of dissatisfaction.
2. Strength of dissatisfaction.
3. Time before improvement is expected.
4. Personal power to bring about the change.
5. How long desire has existed.
6. Certainty about realizing the desire.

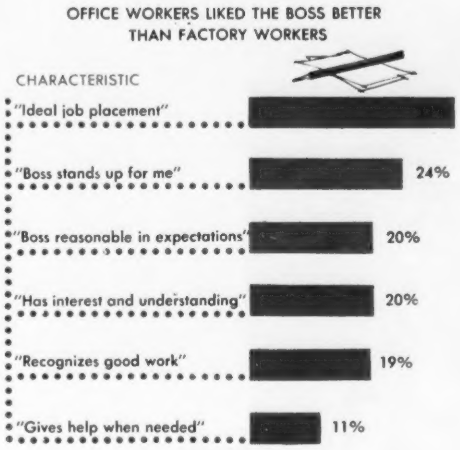
In the case cited, the strikers were a bit more strongly motivated than the non-strikers on all six motives. (10)

5. IS THE OFFICE WORKER'S ATTITUDE UNIQUE?

The following chart may indicate why it is difficult to unionize white-collar workers. It summarizes attitudes of 1,792 white-collar men, and 4,785 blue-collar men working at the same big city electric power company. (9)

The color bars picture the relative extent to which the white-collar men's picture of the boss was more favorable. Records from other firms indicate that the white-collar bosses usually get the top reports on such details.

The reason may lie in the social differences in the two work situations. White-



collar work usually enjoys greater social prestige, even at lower pay, than does blue-collar employment. Satisfaction from this prestige may extend to white-collar workers' attitudes toward the boss.

By the same token, blue-collar workers' unspoken concern about the lack of prestige in their jobs may result in a transference of hostile feelings to the boss.

It may be that the blue-collar boss needs better leadership skills than do many white-collar bosses. Upgrading the prestige of a job may make the leadership more effective. (11, Chapter 12)

There was only one respect in which the blue-collar workers in this utility had a more favorable picture of the boss. Slightly more of them were satisfied with the responsibility given them in their work, possibly because they were less ambitious than the white-collar men. However, blue-collar work did provide a greater variety of operations for each worker. On the other hand, job-simplification had been used intensively in the offices.

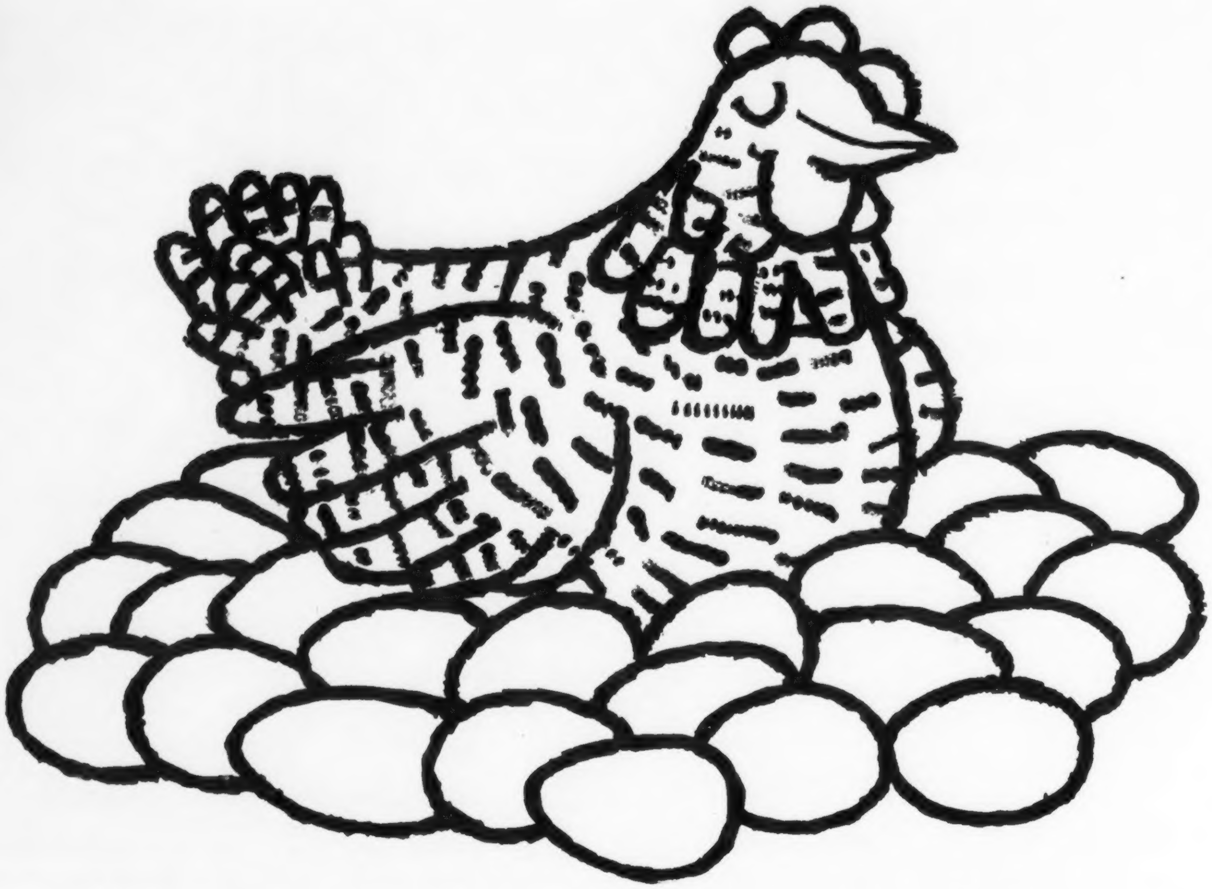
Partly as a result of this finding, this firm tested a program of enlarging some of the office jobs which had previously been simplified. J. D. Elliott reports that the experiment increased output. (2)

6. WHAT HAPPENS TO A CREW IN A CHANGED WORK SITUATION?

Even when he is leading the same people, at the same rate of pay, a change from one type of work to another may require different leadership characteristics from the boss.

Dr. Launor Carter and colleagues, in a laboratory study made for the Office of Naval Research, have demonstrated the shift of forces when a crew changes from assembly to conference work. Eight naval cadets made up each group. No one else was in the room. Their interactions were watched through a one-way glass. Their voices were picked up by microphones. (1)

These crews had only a slight acquaintance with each other at the start. Each man had been studied in other groups. In these final squads the cadets were



grouped so that all the men in the squad had about equal leadership potential. They worked without an assigned leader. These leaderless groups made it possible to observe the spontaneous interactions as the work progressed.

The squads divided their time equally between assembling bridges and observation stands and other work in conferences. Both types required them to solve problems: completing an assembly—or reaching a decision.

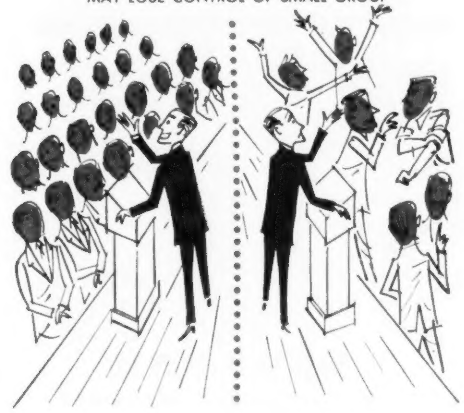
The study showed a large difference in their interactions. When construction was their goal, they became followers — imitated others, asked questions, and, at times, helped others.

This type of interaction was almost missing when the same men were "in conference." They proposed courses of action, asked the other fellow's opinion, sought information, agreed with others.

Arguing (included in miscellaneous) accounted for 10% of the conference interactions, but for only 2% while on the construction jobs, which indicates that a conference leader may have greater need of diplomacy.

7. HOW DOES GROUP SIZE AFFECT THE LEADER'S TECHNIQUE?

SUCCESSFUL LEADER OF LARGE GROUP MAY LOSE CONTROL OF SMALL GROUP



Strong signs indicate that success in leading a small group may not necessarily carry over to a larger one.

Take the analyses of such diverse operating groups as machine shop crews, baseball teams, airplane crews, prisoner-of-war groups, church clubs, parent-teacher groups, and office cliques.

Members rated the leader good or excellent in 365 of these groups. Of these superior leaders, 184 led groups of more than 30 members. A comparison between successful leaders of large and small groups made by Dr. John K. Hemphill was based on 70 leader methods. It was found that the size of the group made a real difference in the usefulness of 47 out of the 70 procedures. (5)

These 47 can be lumped into two broad classes. One reflects a greater demand for

strength, reliability, predictability, and even moral and physical courage in leading a larger group. Situations calling for these characteristics are apparently less likely to arise in a small group.

The other shows a need for a leader of large groups to be firm and impersonal. For example: he was seldom lax, never allowed exceptions to the rules, rarely explained why he did things, listened less to the others, had less consideration for individual members.

These findings indicate that the larger groups were inclined to be leader-centered. The small groups functioned better when they were led in a member-centered fashion. A large group may tolerate restrictive methods which would throw a smaller group into a tailspin.

Such findings help us understand why the successful leader of a small crew may be a "washout" when promoted to division head, or why the vice president may do more harm than good when he attempts to "sell" a pet notion to a small roundtable meeting. The leader's methods apparently need to be tailored to meet needs of the particular group he faces.

8. HOW MANY BOSSES ARE "SUCCESSFUL"?

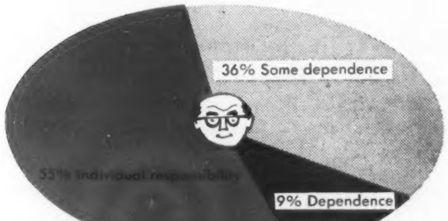
Financial profit alone does not indicate a successful boss—it may obscure human relations methods which can jeopardize future profits. As General Motors Corporation reminds its executives, it takes followers to make a leader.

This chart is based on Dr. Hemphill's analysis of the leadership of 500 existing groups with 15,000 men and women followers (or members) whose average age was 30 — the widest sample available. According to members, 135 of the leaders ranged from only fair all the way to downright bad. (4)

Some of the over-all results of this mixture of good and poor leadership are reflected in this chart. The majority of followers felt they were acting on their individual responsibility with no dependence upon the leader. They would take a day off to go fishing, even when the boss was driving to cut down absenteeism.

Fully half of leaders have little influ-

WHAT THE WORKERS FELT ABOUT THE BOSS



ence that their followers can detect. This becomes more significant when we recall that the successful leaders are also included in the report.

There was only one out of eleven leaders upon whom the followers felt dependent. Some of these faithful followers may have been dependent for such personal reasons as their own lack of self-confidence, or expectation of political favors. In other instances, it could be due to the character of the group, as in a religious assemblage organized around a single dominant leader.

That dependent 9% would be most responsive to paternalism and fringe benefits. But to the independent majority, the benefits might be something they hoped to win, not something to motivate them to more faithful attendance or toward higher productivity.

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methods ~~asks the~~ experts

facsimile

What management should know about facsimile

a "building block" in office automation

THIS MONTH'S EXPERT

Casper M. Bower

General Mgr., Facsimile Equipment Div.
Air Associates, Inc., New Jersey

Mr. Casper M. Bower, General Manager of the Facsimile Equipment Division of Air Associates, Inc., Teterboro, N. J., is an authority on facsimile communications. A pioneer in the development of commercial equipment, Mr. Bower first became associated with the business in 1939. He formed Winchester Industries Company in 1952 with the main objective of converting the then existent complex facsimile design into simple, easily operated, practical office equipment.

QUESTION: Just what is meant by the term "facsimile equipment"?

ANSWER: A "facsimile" machine is primarily an electro-mechanical unit capable of transferring an exact copy or replica of any material from one place to another over a distance of inches or miles. By material, I mean sales vouchers, shipping invoices, purchase orders, galley proofs, engineering drawings, or what-have-you . . . anything that will fit into the size limitation of the unit.

QUESTION: In other words, it's a copying machine with an original to be copied at one location and the copy coming out at another location?

ANSWER: That's not too accurate. Facsimile equipment provides a method of transporting data via electrical impulses. It is not a method of reproduction per se.

Actually, my own policy is to discourage the use of the term "facsimile" for this equipment because I feel it is confusing. It is not a mere copy-maker. It doesn't compete with a spirit-duplicator or a mimeograph machine.

QUESTION: How does facsimile equipment operate?

ANSWER: I will use as an example a recently developed machine. It is slightly larger than a typewriter and weighs less than 100 pounds. The machine "looks" at the data to be transmitted in the way a TV camera "looks" at a scene. The TV picture is placed only momentarily on a screen, whereas in the case of "facsimile," the original data is permanently recorded perhaps hundreds of miles away on the paper of a companion facsimile machine.

QUESTION: Can you give us a "thumbnail" sketch of the actual mechanics of the operation?

ANSWER: Well, to operate it, any document up to the size of $8\frac{1}{2}''$ x $14''$ is placed on a scanning drum in the machine. Then a *transmit* button is pressed to begin the drum rotating. The machine's photo-cell "looks" at the data to be transmitted and converts what it sees into electric impulses. These are amplified and transmitted over wire or microwave circuits to one or more companion machines at various locations. Here, the electrical impulses are passed through chemically treated paper to reproduce the original information.

QUESTION: To what general purpose is this machine directed? In other words, what's wrong with present business communication procedures that facsimile equipment can cure?

ANSWER: It's not so much what is wrong with present-day business communications, it's rather industry's tremendous growth which has created acute communications problems. Recently, one publication came up with an expression "Paper Work Sclerosis" which they used to describe the slowing down of the transfer of paper work in business. This "disease" is the cause of many types of headaches in big business today. Once a business gets large, the moving of important paper work becomes more difficult. When this happens, there develops a lack of data on which to base decisions. As a result, decisions are delayed or issued on unsubstantiated or incorrect facts. Once a company is hit by this malady, costs are bound to increase—and these are costs not easily traced or reduced. Facsimile can help this situation.

The concept of office automation is a trend in the right direction; it immediately exposes the fact that the telephone and telegraph cannot alone handle the job to be done. Equipment is needed to transfer vital data quickly, economically, and in permanent form, error-free. Here is where the facsimile machine comes in.

facsimile

QUESTION: For what specific business operations is facsimile equipment particularly useful?

ANSWER: We only have a partial list of all the actual operations for which a facsimile can be used because of its newness to business. And we aren't just interested in use per se. The specific cases I can give you all show how the unit is better than any existing method of "record" communication. For example, in the case of branch banking, important information such as changing volumes of savings and loans must be daily forwarded in exact form to the main bank for proper control. Facsimile is quick and precise. It can be set up between branches miles away, and is a permanent record. In publishing, the unit can transfer editorial copy or layout from the composing room to the editor for a last-minute check. Many publications have their printing done in plants many miles away. Think of what that can mean to an editor. He can sit in his office and just go over what the composing room has done to the pub-

lication's pages without any intermediary handling or long in-transit delay.

The facsimile unit can also be used to transmit last-minute engineering changes in the form of drawings and technical instructions to the production department of an industrial plant. It can be used in wholesale and retail operations to process customers' orders or as a control, ordering movement of stocks from the warehouse to the store.

QUESTION: The machine, as described so far, sounds something like a cross between a teletype and a wire photo. How is it better than these two?

ANSWER: Business facsimile equipment is an outgrowth of the wire-photo invention, but designed especially for the function of business record transmission. Compared with teletype, facsimile eliminates the possibility of human or electrical error into its final product. It cuts clerical costs because it operates automatically though unattended, and eliminates the need for extensive proofreading in order to check any errors.

QUESTION: Getting back to the operation of the system, can messages be sent from either end of the wire?

ANSWER: Yes, the basic facsimile machine is a two-way, single package unit. Then, of course, you can mix in what we call "slave units" which have the capacity to receive but not to send. The equipment is very flexible and is simple to set up to fit an organization's data-transportation needs. For instance, if the company wanted an immediate record established in its accounting office of all the sales transactions being transmitted between branch sales offices, a "slave unit" could be set up for that purpose.

QUESTION: How long does it take to send a message?

ANSWER: Actually, a full 8½″ x 11″ page would take 3¼ minutes to transmit. If the machine is required to transmit a 14″ document, it would take approximately 4 minutes. We have worked out a formula for the 360 r.p.m. machine which puts its capacity at about 3¼″ per minute.

QUESTION: If a company had its main office in New York and a branch in Los Angeles or San Francisco, could the equipment in use today be a practical means of transmitting information?

ANSWER: Definitely yes. A two-machine system is now being used by a leading auto manufacturer between its plant in Detroit and San Francisco.

QUESTION: In connection with the difficulties of transmission, just what is the difference between wire and microwave circuits?

ANSWER: Microwave circuits are wholly owned and operated by individual organizations, although their use is limited to utility-type operations such as pipelines, railroads, etc. Microwave is an excellent vehicle for facsimile. Telephone lines are, of course, available through the facilities of the American Telephone Co., its operating subsidiaries, and independent companies. The telephone companies offer lines of varied quality and their rental rate varies in proportion to the quality. For communications within buildings, a private wire is used.

QUESTION: Which kind of facsimile equipment is more practical for a business operating principally in the United States?

ANSWER: Generally speaking, the 180 r.p.m. machine is recommended for long distances, merely because it can use a line of relatively low quality that rents for a lower rate than the higher quality lines. In the case of intra-city communications, i.e., up to 3 or 4 miles, we suggest the 360 r.p.m. machine, because sheer economics justifies the higher speed. The higher quality line is necessary for this machine.

QUESTION: Probably the most important consideration in the employment of any new system for a businessman is whether the advantages will offset the additional cost, and whether the new system will reduce present cost. How will the facsimile equipment affect the businessman in his pocketbook?

ANSWER: A facsimile system can definitely cut overhead costs by eliminating many steps required to transport office memoranda, invoices, vouchers, etc., as well as by the reduction of typing, proofreading, and copying. The *automatic* operation of the facsimile machine permits a substantial saving in clerical hours. But what is perhaps more important is the saving in executive hours by getting vital information to the decision-makers quickly. For instance, the Tennessee Valley Authority

has installed the latest facsimile equipment available today between Chattanooga, Tennessee, and Wilson Dam in Alabama, 180 miles away. This system, used over a microwave circuit, has considerably accelerated the flow of data necessary for the control of electric power, floods, and irrigation. On a day in which 21 transmissions were made, total accumulated facsimile operation time was only 1.4 hours, against estimated teletype operation for the same messages of 5.6 hours (4 times as long). Telephone dictation with confirming "read back" would have taken 14 hours.

Here's another illustration: A well-known New York magazine recently installed two facsimile machines which link the New York editorial offices with its printing plant in Connecticut. Result: substantial *daily* savings in messenger time and possible elimination of messenger service between the two points. A magazine spokesman estimates that the two machines will pay for themselves in a short time. On a weekly production schedule, the magazine is also saving many valuable salary hours that formerly were necessary on an overtime basis.

QUESTION: Perhaps this final question will seem unfair—or impertinent—after all you've said, Mr. Bower. Speaking candidly, would you say facsimile is completely practical today—are all the "bugs" out—or is it still "experimental"?

ANSWER: It's just as practical as the electric typewriter. The facsimile era is here now. Whether as a vital link in the "office automation" chain, a pipeline "monitor," or as an electronic messenger between printer and editor, the facsimile machine will make a significant contribution to the alleviation of one of the biggest and costliest problems of American business—that of paper communications. The only "experimental" factor is one of finding new applications to which it can be applied. m/m

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"worth

Career girls' upkeep: An unmarried working woman living with her family in New York City required a minimum of $48 a week last year to support herself, according to the State Department of Labor. The salary was necessary for adequate clothing and food, in addition to meet income taxes and to save for emergencies of old age.

repeating"

(Circle 207 for more information)

HOW TO USE

Key Man Insurance

FOR *RETIREMENT* / *DEATH* / *SALARY BENEFITS*

by Paul Brower

Advanced Underwriting Specialist
Mutual of New York

The Chairman of the Board of one of the country's leading financial reporting houses says, "The success or failure of a business enterprise is more dependent on management than any other factor—and the crux of successful and profitable management is *key men*."

Alert businessmen everywhere recognize the value of a key man as an income-producing factor. And they recognize the economic loss or financial strain that a business can suffer through the premature departure of such a man. In many instances, these businessmen have been prudent enough to provide themselves with indemnity against such loss, through the purchase of key man life insurance to help them procure the best possible manpower replacements.

In today's highly competitive business set-up, businessmen and businesses are being alerted to another highly important key man "hazard"—the possibility of losing key men to other companies (and in many minds this contingency causes far greater concern than the death contingency). To meet the requirements of this situation, we see an extension of the use of key man insurance in three areas: to furnish funds that can indemnify the business against the economic loss that stems from the "loss" of a key man; to furnish funds that can provide retirement pay to a key man who has served the business through an active career; and to furnish funds that can create a death benefit for the immediate family of a deceased key man.

Here are the ways in which a business organization can use key man insurance to provide employee benefits for top personnel on a selective basis.

1. Retirement Income: If the employee lives to retirement age, the cash values in the policy contract can provide retirement pay benefits (in addition to those which might be established under some employee benefit plan). The cash values can, at the appropriate time, be settled under the usual installment payment methods. The payments can be set up so that they pass from MONY to the employer, who can then pass them over to the employee as retirement pay.

Under the conventional key man insurance set-up, the employee pays no income tax on the premiums paid by the employer, and the employer gets no deductions as he pays them. No one pays a tax on the cash values during the years the policy is in force, as they build the reserve which makes the retirement pay possible. When the employer passes the retirement income payments to the employee, they will be deductible, in full, for income tax purposes (even though they will be received by the employer under the favorable tax rule applicable to such installment payments). The payments will be regarded as fully taxable income to the employee.

2. Death Benefit: When a key man dies, an employer can dip into the tax-free death proceeds of the key man contract (lump sum payments of death proceeds are ordinarily income tax exempt to the beneficiary) to the extent of $5,000, and pay this to the widow as an income-tax-free death benefit. This $5,000 of tax-free income in her hands might be looked upon as the equivalent of $7,500, $10,000, or even more, depending upon the level of income tax rate reached by the husband-employee. The employer can take an income tax deduction for this payment. Even if the employer (corporate) is taxed at a rate no higher than 30%, it would mean that, because of the key man insurance, he saved Federal tax dollars to the extent of 30% of $5,000 or $1,500. This $1,500 would go a long way towards offsetting the premium payments made by the employer during the payment period.

3. Salary Continuation: Beyond the income-tax-free $5,000 death benefit, an employer might wish to continue the salary of a deceased (prior to retirement) employee *for a limited period*. He could use the tax-free life insurance proceeds for this purpose. The law suggests that a limited period means about two years, as the period over which salary might be continued. For instance, if a key man were earning $20,000 a year, it might be reasonable to pay as much as $40,000 to the widow. Actually, it need not be paid in two years. The $40,000 two-year salary might be paid in amounts of $5,000 over an 8-year period. These payments would be taxable to the widow and deductible to the employer, unless it could be established that the payment was intended as a gift.

A big advantage to the employer lies in the fact that the employer having received tax-free dollars can save income tax dollars through the deductions he gets when he pays the benefits. Here, too, the tax dollars saved will tend to offset the premium dollars paid out by the employer.

Deferred compensation contract

The employer and employee have the option of setting up a so-called deferred compensation contract. Often,

they do not; in that case, action is taken formally when the contingency arises. In some cases, the parties regard a formal contract as desirable. If so, it should be prepared by personal counsel. If the parties execute such a contract, it seems wise from a tax point of view to make no reference to the key man life insurance contract, or to tie it in, in any way, with the terms of the contract. The reason for this is to make sure, (at least under current law) that no part of the premium payment is now taxable to the employee.

The usual key man insurance set-up calls for the business to apply for, own, pay for, and be the beneficiary of, the individual insurance contract on the lives of the covered individuals. The types and amount of the several contracts would depend, in part, on the amount of the benefit to be provided, the time at which the benefit is to be provided, and the age of the individual.

Why insurance pays

Sometimes, businessmen say, "Why put money into premium dollars — we can put our money to more productive use in the business." In saying this, have they considered the tax impact—the dollar position before and after taxes? *And, do they realize that the premium dollars are protecting the very people who are responsible for the dollars the business earns?*

Key man insurance puts earnings to work without worry about business chance or taxes. And the return of the dollars spent for insurance, if analyzed, may prove far more attractive than businessmen imagine — for one thing, reserves under the insurance contract accumulate at a *tax-free* rate of 2¼%. For a second thought, we must recognize the fact that, because of these annual, tax-free accumulations, the cash values, will, in time, equal the policy reserve. And, of course, at all times, whether in the early years or the late years, the face amount is payable at death, on a tax-free basis.

Key man insurance is good for the business and it is good for the key man. During the man's working years, the policy provides the business with a valuable asset, and at his death or retirement, it provides valuable benefits for the man and his family. m/m

How much do business

What management should know about the cost of advertising and public relations movies

Until very recently, only the most naïve executive would ask the straightforward question, "What will it cost us to make a movie?" with any expectation of a lucid answer.

Most investigations get hopelessly bogged down in approximate figures because so many sponsors, when approached, regard the price they pay for a film as confidential. Complicating matters further is the "bogey" of distribution costs. "This film wasn't so much, but boy, did we ever get socked for the prints and showings," is a common pleasantry that frightens many would-be sponsors.

Now, for the first time since the business film came into being, an authoritative, objective study lifts the *cost curtain. The Dollars and Sense of Business Films,** published by the Association of National Advertisers, reports the production and distribution costs of 157 representative advertisers and public relations motion pictures. A.N.A. explains its mission this way: "With around 500,000 16mm sound projectors now available in the country (an average of one for 320 people), the non-theatrical film has become an important tool for management in communicating with the public. This is emphasized when, to the normal domestic circulation there are added the plus factors of foreign audiences, certain types of theatre showing, and—most newsworthy of all—television audiences. That the business-sponsored film is now a widely used advertising and public relations medium is attested by the fact that 86.6 million viewers have already seen 46 of the films included in this study."

Among the companies which reveal heretofore confidential cost figures in this study are American Can, Anaconda Copper, Dravo Corporation, General Foods, DuPont, Ford, General Motors, U. S. Steel, and Western Beet Sugar Producers. While sponsors of high-budget extravaganzas are still predominantly large companies, the sales and publicity film is no longer just a big-company luxury. Increasingly, medium-sized and even small outfits, which used to confine themselves to modest training pictures, are realizing that ingenuity as well as money yields superior results.

Why a business film?

What is the peculiar value of a movie? One basic point emerges: it's the only salesman that can lock prospects into a darkened room—without telephone or other interruption—where the only thing they can possibly see and hear is a sales message.

Unlike other media, movies do appeal to both eye and ear . . . portray motion . . . show events in sequence . . . recreate the past . . . demonstrate cumbersome equipment in action . . . clarify complex processes. For the lucky seller who can corner several individuals influencing a purchase at one showing, a favorable impression, if it occurs, will hit all of them simultaneously. Moreover, a film sponsor can measure the effectiveness of his pitch simply by watching and hearing audience reactions.

Of course, the assumption in citing all these benefits is that a film will utilize them. Many business movies, however, might just as well *not* have a sound or color or movement; they are merely high-priced, animated magazine ads, which only alienate their captive audiences.

The cost factor

The A.N.A. study does not dwell on these hazards, but concentrates instead on cost. Here are some important highlights of the report:

- A typical sponsor spends 55% of his budget for the production itself; 26% for release prints, and 19% for distribution of his completed film.
- Most sponsors design their films for a long life, at least five years, in order to reduce the cost per viewer (for one-year-old film it's 97c per viewer; for a two-year film 7c, and for a ten-year-old film the cost per viewer is under ½c).
- Color films are favored nearly 4-to-1 and the ratio will rise as color TV materializes.

To prospective sponsors, the Survey Committee recommends a few procedures for making and showing films:

- Select a target audience and tailor the film to it, rather than dissipate the message by aiming at too many different audiences.
- Explore new distribution channels: TV and export markets, for example.
- Get films onto every possible list that might be seen by group program planners. They're all eager to find good business films.

The chart opposite is a summary of the A.N.A. report. The whole, though replete with far more detail, is nevertheless as slick and readable a presentation as ever sugar-coated a statistic.

* *Available from A.N.A., 285 Madison Ave., New York, N. Y., for $5.*

films cost?

SUMMARY OF THE FINDINGS

General	Sound film vs. silent film	99.4% are released in sound
	Color vs. black & white—productions	78% are produced in color
	16mm vs. 35mm—release prints	95% are 16mm prints
	Color vs. black & white—release prints	72% in color; 28% in B & W
	Length in running time	26 minutes (median)
	Life-span of films	16.5% over 5 years old
	(Most films still in circulation)	58% over 2 years old
	Total over-all cost	$87,264 (average)
	Relationship of major cost factors	Production 55.3%
		Prints 26.3%
		Distribution 18.4%
Production	Total production cost of 116 films	$4,514,477
	Production costs	$1,732 low to a high of $426,600
		$25,800 (median)
	Cost-per-minute	$57.77 up to $5,925
		$1,167 (median)
Prints	Total cost of release prints	$2,088,891 for 18,580 prints
	Number prints per production	100 prints (median)
	Average cost-per-print	From $19.54 up to $375.63
		$122.74 (median)
16mm Color Prints	Number per production	100 prints (median)
	Total print expenditure per production	$11,132 (median)
	Cost per print	$136.84 (median)
	Running time	23 minutes (median)
	Rate paid per foot	16.5 cents (median)
16mm B&W Prints	Number per production	160 prints (median)
	Total print expenditure per production	$8,728 (median)
	Cost per print	$48.47 (median)
	Running time	26 minutes (median)
	Rate paid per foot	04.7 cents (median)
35mm Prints	Rate paid for 35mm color	28.1 cents per foot (median)
	Rate paid for 35mm B & W	03.6 cents per foot (median)
Distribution Areas	Nationwide U.S. distribution	89% of films
	Canadian distribution	48% of films
	Other foreign distribution	35% of films
Audiences	Major target audiences	Schools and colleges 89%
		Clubs, etc. 81%
		Business and industry 79%
		Company employees 62%
		Churches and Synagogues 61%
		Company management 56%
Number of Viewers	Annual viewers per film (excluding TV)	From 1,250 up to a high of 4,548,000
		276,036 (median)
	Total viewers per film (excluding TV)	From 40,040 to a high of 21,852,465; 1,268,851 (median)
	Total viewers per film including TV (covers only 9 productions)	1,095,635 to a high of 10,975,000
		3,464,873 (median)
Distributors	Types of distributors‡	Sponsor only 43% of films
		Commercial 37% of films
		Non-commercial 36% of films
Distribution Costs	Total cost of distribution	$10,055 per production (median)
	Median cost of distribution (per thousand viewers)	By sponsor distribution $20.00
		By commercial distributor 17.86
		By sponsor & commercial 13.69
		By sponsor & non-comm'l. 8.05
		By all three methods 23.22
	Distribution cost per print	$91.40 (median)
Total Production, Print & Distribution Costs	Average cost-per-viewer	
	(under 1 year in circulation)	$.9735
	(1 to 2 years in circulation)	$.0681
	(2 to 5 years in circulation)	$.0832
	(5 to 10 years in circulation)	$.0364
	(over 10 years in circulation)	$.00469
	Average cost-per-viewer (over-all)	$.0463 for 86.6 million viewers
	Lowest cost-per-viewer for one film	$.00356 for 21 million viewers

‡ Percentages total more than 100 because many films are distributed by a combination of these three methods. Sponsors actually were involved in distributing 91% of their films.

8 ways to reduce

Good packaging provides many ways to save a dollar: lower container costs; less packing and handling time; decreased storage needs; reduced shipping weight; and fewer damage losses. The management man who supports a scientific packaging and materials handling program can reap sizeable economies.

Package design is a profession. Like others, it requires not only peculiar skills and experiences, but a constant study of latest developments and applications. This month (see box) packaging men from dozens of industries will discover new ideas and products which they can translate into substantial savings in their plants and offices. The "newness" may consist only of applying an old material or method to a new situation.

This limited random selection of economies possible through packaging is presented to arouse executive interest—if not action—in as varied a group of industries as those shown here.

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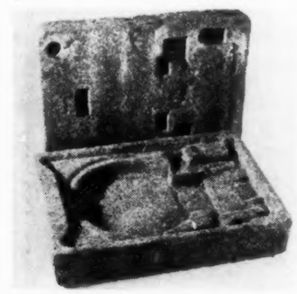

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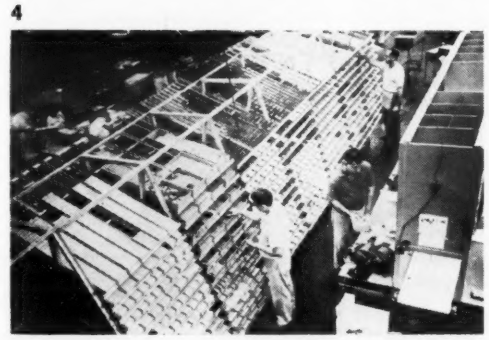

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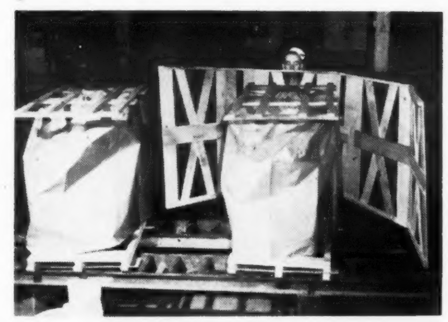

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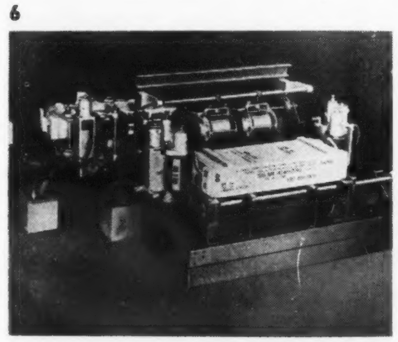

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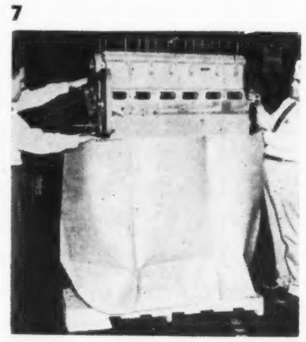

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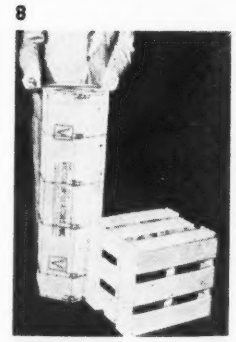

packaging and handling costs

by C. J. Carney, Jr., Managing Director, SIPMHE

THE TENTH ANNUAL Industrial Packaging and Materials Handling Exposition will be held September 20th through 22nd, at the Kingsbridge Armory in New York. The feature attraction will be the annual competition for the national championship in protective packaging and materials handling. The case histories below typify last year's prize-winners. Concurrent with the exposition, the Society of Industrial Packaging and Materials Handling Engineers will conduct a three-day intensive "Short Course" in joint sponsorship with New York University. The course will feature a one-day session of special interest to management, conducted by N.Y.U. faculty members, discussing the relation of materials handling to other departments.

1. **Reduced damage and a $5,600 annual saving** in material and labor costs—result from a switch to interior corner posts in this corrugated box for General Electric air conditioner units. Previously, corrugated strip pads were wrapped and wired around the top, bottom, and center of each unit. These corner posts, specially designed by Union Bag and Paper Corp., New York, are made of kraft paper shaped in the form of a honeycomb. The packer fits them into four corners before box is closed.

2. **Lightweight protection** for delicate equipment: die-cut, molded, rubberized hair replaces heavy, bulky dunnage. This liner for an aerial camera carrying case is made of "Paratex" by Blocksom & Company, Michigan City, Indiana. Rubberized hair (coated with latex) is reusable, easy to handle, quick to assemble, and requires little material—consequently, small, lighter outer containers.

3. **Automatic small parts packaging machine** reduced cost per thousand from $47 to $3.77 in one aircraft manufacturing plant. The machine can be adjusted to package different size units up to 6" x 6", and uses either polyethylene kraft or cellophane paper for see-through packages. An automatic printer stamps name and specifications on each individual package, and an automatic counter records total number of packages made. It is made by Packmasters, Akron, Ohio.

4. **Order pickings 50% faster,** reports Jacobs Manufacturing Co., since installation of this "Quick-Pik" unit. Two-sided packing table at right is between two facing units. The first five sections carry fastest-moving chucks and spare parts. The other two have slow movers, reducing congestion at key selection points by 35%. Order-filling previously done by selectors and packers, is now handled by one man who merely walks a few steps to table, packs shipments, and then drops them onto center conveyor which goes to shipping platform. Unit is by North American Eqpt. Corp., Paterson, N. J.

5. **Sales appeal** is one of the chief assets of this wirebound wrap-around "mat" on the L. O. Koven Bros., Inc., heater boiler. Even the 794 lb. unit can slide through a 30-inch doorway, crated, without damage to itself or customer's property. Usually, boiler units have to be uncrated outside, then moved downstairs. This container has built-in pallet skids on bottom and one side for horizontal or perpendicular power truck handling. Koven credits a sales boost to this container. Figures show over-all packing costs are down from $11.22 (for company-made crates) to $10.75 per unit.

6. **Automatic case printing** is done by this "Markoprinter" machine. It receives corrugated, wood, metal, or fibre shipping cases, then seals and marks packages on all four sides and top in one pass-through operation. The unit permits use of low-cost blank cartons (less inventory and obsolescence) and rapid change-over of messages. Produced by Adolph Gottsche, Inc., Hillside, New Jersey, it turns out 2,000 cases per hour without an operator. At Army Ordnance, Wahoo, Nebraska, estimated savings compared to pre-printed cases is 3c each. Over-all annual saving is $230,760.

7. **Rust preventative,** impregnated papers (volatile corrosion inhibitors) give off vapors which protect ferrous metal surfaces. They eliminate messy oil-drippings and degreasing at receiving end. Among their applications are long-term storage covers for metal dies, machinery covers, and tote-box liners. Shown here is Angier Corp.'s "VPI" bag on Cummins Engine Company equipment. Formerly it took 37 men to handle 850,000 lbs. oil-dipped. Now, 26 men handle 1,420,000 lbs. in one operation.

8. **25% saving** resulted when Victor Insulators, Inc., Victor, New York, shifted from crates (right) to a unique, six-sided wirebound box for high voltage insulators. Designed by the General Box Co., the new container makes possible a speedy, one-man jig assembly and packaging systems, as compared to the former, lengthy, two-man job. Unpacking is now simply a matter of wire-clipping.

diagnostics
FOR MANAGEMENT

by Leslie M. Slote

Director of Industrial Relations, Norden-Ketay Corporation
Management and Labor Relations Consultant

question:

We have been trying to indoctrinate all levels of management with the concept of "continuous control." Can you suggest a visual means of presenting this that will do the job quickly and effectively?

answer:

The concept you refer to is broad enough to apply to any type of operational situation you want to control, such as the relationship between Home Office and subsidiary, Board of Directors and corporation, Dept. Head and division, or Section Head and worker. In practice, control usually consists of the following cycle:

1. Setting policy or plans.

2. Converting policy or plans into specific, practical operating goals in terms of quantity and quality (e.g., through budgeting of manpower, costs, and materials).

3. Continuous surveillance through adequate reporting, and measurement of results against plans.

4. Continuous application of the "management by exception" principle to point up and correct operating deficiencies as they occur.

The above concept can be clarified and visualized through use of a chart similar to *Figure 1*.

question:

What is the general practice regarding duration of the probationary period for new employees, and should any fringe benefits apply during this time?

answer:

A 30-day probationary period is the

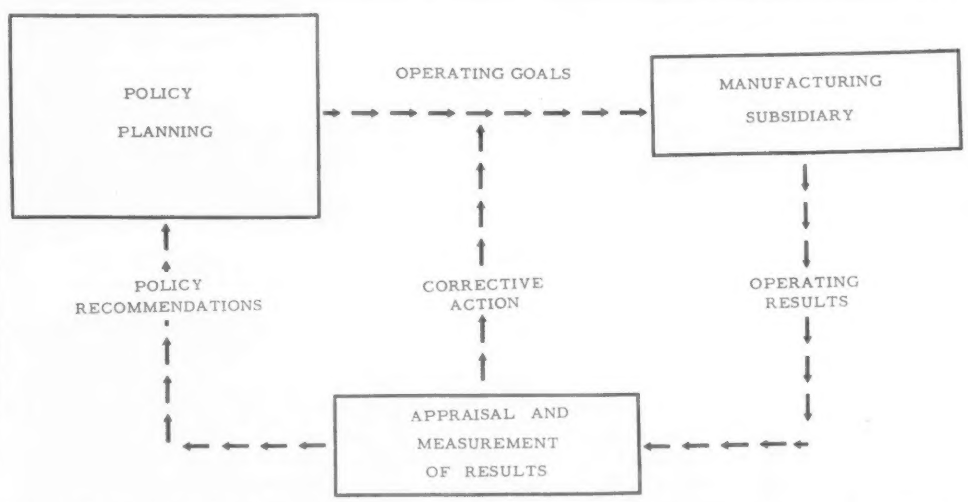

Fig. 1: Chain reaction (or closed-loop) system of control. The results of policy planning are transmitted to the subsidiary in terms of operating goals. The subsidiary's operating results are continuously appraised by the V. P. of Manufacturing, and immediate corrective action is taken within specified limits of authority. In cases exceeding such authority, policy recommendations are submitted to the policy planning committee, and the entire cycle of control is repeated again.

usual practice. However, it is not too uncommon to find such a period extending for two or three months.

If your probationary period is 30 days, no fringe benefits need apply. However, if it is a longer period, say 2 months or more, holiday pay might apply after 30 days of employment, as well as group life and medical insurance coverage, if it is a plan of the contributory type.

After successful completion of the probationary period, all other fringe benefits such as vacation pay, accumulation of seniority, sick leave, pension plan eligibility, etc., apply and are figured from the actual date of hire.

question:

After considering our supervisors' responsibilities for employee job performance, we gave them what we feel is an adequate measure of managment authority. This includes the right to hire, discipline, discharge, transfer, reinstate, grant leaves of absence, etc. Our Personnel Department is complaining about the grievances and complications arising from arbitrary actions, and the general difficulty in maintaining a uniform code of application. How can we best bring Personnel into the picture to control such situations without seriously compromising the supervisor's authority?

answer:

This problem can be quickly solved by establishing the controls described below, and then policing them to make sure that company personnel and labor policies are interpreted and administered uniformly at all levels.

First, issue instructions that any supervisor, foreman, or department head who plans to change the status of a subordinate, must have the prior clearance and final approval of the Personnel Department before sending this change to the subordinate. The request for clearance and approval must be made to the Personnel Department via channels; i.e., through the department head or authority involved. A Personnel Department doesn't function as an arbitrary authority, but acts as a clearing house and coordinating agency by offering advice and guid-

ance to insure compliance with company policy.

Next, spell out the "change of status" referred to above. This should include all changes subsequent to initial hiring, such as termination, transfer, leave of absence, reinstatement, rate change, and classification or job change. The supervisor should still have the right to pass on the final interview with new job applicants. In the case of scarce skills that have been recruited, if the Personnel Department pressures the supervisor to accept an applicant, the supervisor still has the prerogative offered by the probationary period.

Also, make it clear that Personnel clearance and approval are required before holding discussions with employees regarding excessive absenteeism or lateness, issuing of warning notices, unsatisfactory work, infraction of regulations, or interpretation of company policy or rules. Emphasize the fact that changes in status for union personnel are subject to contractual obligations, and that any contemplated changes, whether listed in the above instructions or not, must be discussed with Personnel before effectuation.

Finally, make it a general rule for the Personnel Department to be consulted on new or unpublished policy, before any interpretation, application, or transmittal of same. To be effective, the controls discussed above must be communicated through both written instructions and conferences with supervisors, and must be reviewed periodically at additional meetings. m/m

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"worth repeating"

Company acts as broker: Payroll deductions that permit employees to participate in a stock exchange plan, has been arranged by the De-Vilbiss Company of Toledo, Ohio. With the company acting as broker, the periodical deductions are used for an installment purchase of stocks. The stocks purchased need not necessarily be those of the employer firm.

A new approach to Management Conferences

SPA Meeting permits attendees to pick and choose the subject matter

Most management conferences are "one-way streets." The attendee often sits through a broad program of subjects in order to participate in the relatively few seminars or meetings of special interest to him and his firm. Not so in the 8th annual meeting of the Systems & Procedures Association, set for October 10-12.

This program reads like a graduate business school syllabus. There are no "required subjects." Each attendee selects, from dozens of alternate seminars and general sessions, *the exact subjects of interest to him.* He can attend three days of seminars, or three days of general sessions, or a *combination* of both.

Programming idea clicks

This year, SPA selected three broad subjects for coverage (see page 41 for details):

1) Electronic Data Processing
2) Operations Research
3) Systems & Procedures Management

Registrations to date show extremely heavy interest in Electronics seminars. More striking, however, is the *total* number of registrations—far in excess of advance registration for any preceding year. According to SPA, registration in certain seminars will be closed very shortly.

A fresh angle—"in-plant" workshops

The handling of the broad seminar program is typical of the practical approach SPA emphasizes in their management meetings. Wherever pertinent, seminars will be held in the offices of big Detroit firms, where attendees will be able to observe, in action, the techniques under discussion. Each seminar will be led by an expert. Instead of a hodge-podge round-table discussion, each is a planned workshop designed to present, explore, and evaluate newest methods.

Because of the heavy advance registration, SPA has added extra sessions for the most popular subjects. These, too, will be completely booked soon if enrollment continues at the present rate. To assure attendance at seminars that will benefit you most, it is important to register immediately. Full details are available on page 41 of this issue of MANAGEMENT METHODS.

How one company utilizes

A medium-size electronic digital

"Automation" in business records-keeping accomplished in pilot run of smaller equipment

The first full-scale application to general business procedures of a medium-size electronic digital computer is now being carried on by the Allstate Insurance Company, Skokie, Illinois. The computer, installed and operating less than a year, has been utilized in the production of regular reports to management — a task often underestimated even in the use of the million-dollar machines.

The most spectacular advantage of the computer is the speed with which it prepares a finished report. Though it is used for only a fraction of its available machine time, the company estimates it will pay for itself in two years. Its first application—the production of a quarterly report to the Underwriting Department—reveals why.

Originally, it took 1,800 man-hours to compile the quarterly report to the Underwriting Department using manual methods. About a year ago, the procedure was mechanized using the IBM 407 accounting machine and the 607 calculator-punch. But even mechanically it took 100 man-hours to produce this same report. In terms of office hours and regular procedures, this meant reports weren't available to executive scrutiny for at least a month.

The electronic computer now brings the time factor down to 12 hours. This is the same task which took 1,800 hours to do manually and 100 hours mechanically! Of course, original programming, or scheduling of commands to the machine, took three months. However, once this work is done, it never has to be repeated. All future reports will take only 12 hours to complete after records for the quarter are in.

This is an amazing accomplishment when the size of the Allstate operation is taken into account. Allstate is the world's largest writer of direct auto insurance. It operates 5 zone offices and 24 branch offices in the United States, 2 branch offices in Canada, and 134 district claim offices throughout the country. Reports include data from the sales force of 2,100 licensed agents.

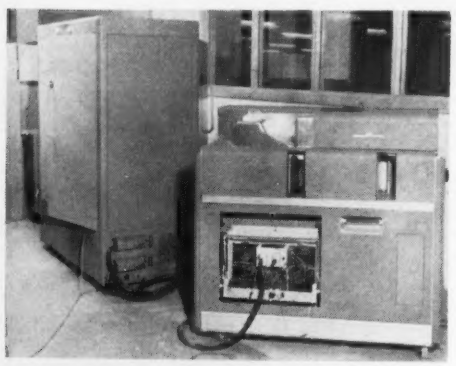
Three phase program planned

Allstate is planning to apply the computer in three phases. During the first phase, the system will be used for a few hours each day to prepare a small number of reports. These include the premiums, written statements, office, sales, and claim expense statements, quarterly personnel analysis, company car fleet costs, and several quarterly experience reports. All these are in areas already mechanized in home office punch card procedures. It is planned to adapt manual and semi-mechanical operations later. Transferring these at present would require many months of preparation by a sizable staff, plus major changes in basic procedures at all levels of operations. The computer is now being handled by a methods research staff of six men.

Concurrently, work is progressing on the second phase of the electronic operation. This involves introducing more detailed information into the system to develop internal summaries. When completed, the computer system will be operating on a full eight-hour daily schedule. During the latter part of the year, the research division will have completed studies on extending the system's use to a second-shift basis.

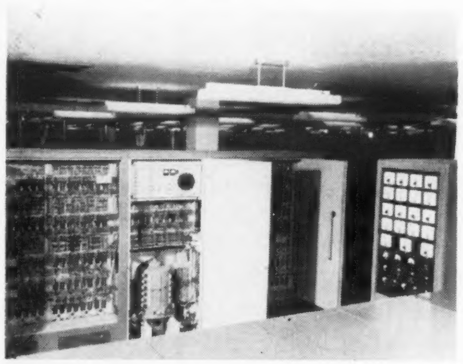
The third phase is the eventual extension of the use of the electronic data

STEP 1



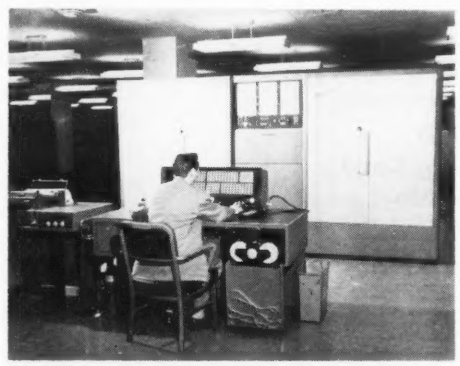
The first step in making the electronic digital computer work involves the problem of preparing and standardizing input. At left is the converter and at right is the IBM 528 Accumulating Reproducer. All records are kept on punched cards. These cards are fed into the reproducing machine. The converter later changes the data to binary numbers which the Datatron computer can handle. Cards are converted at the rate of 200 per minute. Once the data has been punched onto the tape, the speed can easily be stepped up to a rate of 32,000 digits per minute.

STEP 2



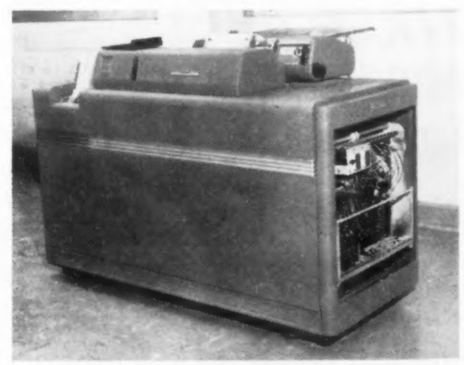
The second step involves "programming." This is done by the operator who breaks down the problem into a sequence of simple instructions. They specify what the computer is to do with the data given it. These instructions are put into numerical form and punched into paper tape or cards. Subsequently, they're read into the computer's magnetic-drum storage (center, above) or auxiliary magnetic-tape storage. The magnetic-drum has a capacity of 40,800 digits while the magnetic-tape memory holds 1,600,000 digits per 2,400 feet of tape. At the right is the power control unit.

STEP 3



The third step is the actual operation of the electronic computer. The programmer is shown putting the Datatron into operation. To his right can be seen the photoelectric perforated tape reader. It feeds numbers and instructions into the memory drum at the rate of over 450 decimal digits per second. At upper center of the Datatron itself is the supervisory control panel. This panel displays computer contents as an array of neon lights. Switches on the console in front of the operator operate and control the entire system. Switches permit either continuous or step-by-step operation.

STEP 4



The fourth step involves printing the summarized data. This is done by means of the 407 IBM Printer shown above. At the right can be seen the board which is plugged in to print whatever combination of figures is desired. This machine has a capacity to print 12,000 digits or 150 lines of the average printed report per minute.

The number of procedures eliminated by the Datatron is dramatically emphasized in the two charts to the right. On the left side, 34 steps are needed to complete one of the company's reports. On the right side, a flow chart for the same job with the Datatron shows six steps.

computer

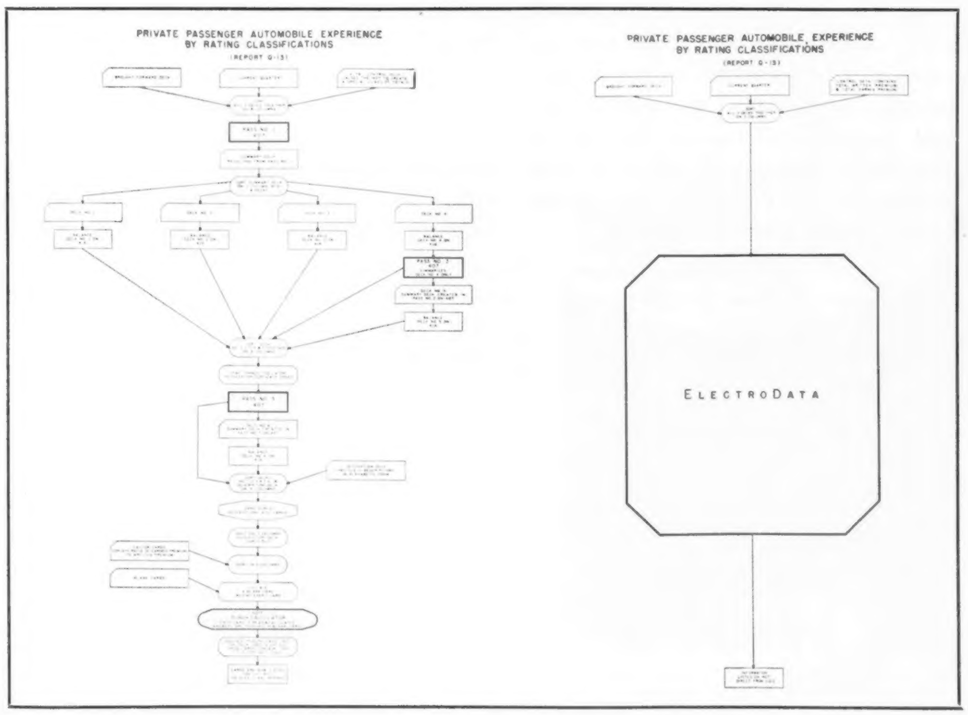
computer to all of the branch offices. Only the home office is equipped with an electronic digital computer. The five zone offices now use punched card equipment on a rental basis. The goal is to make a complete circuit with home and zone office equipment tied-in together. Data could then be processed automatically during the night, and information would then be available to management for decision, practically while trends are developing.

Computer cost and savings

The decision to purchase a medium-size computer was made because of Allstate's decentralized organizational structure. This type of equipment can be used effectively at more than one level operation. The computer is called a "Datatron" and was purchased outright from the manufacturer, ElectroData Corporation of California. It sells for about $250,000, and includes all components. These are the main computer, three magnetic tape drives, control console, high-speed optical tape reader, two electric typewriters with tape reader and punch, IBM converter unit, motor generator set, and power control units.

The company estimates that savings will accrue primarily from the release of rental equipment and the reassignment of employees who heretofore had been tied up for long periods working on these reports. Emphasis is not only on dollar savings, however, it's also on increasing the speed with which meaningful reports can be put into the hands of management. This is the area where electronic computers should make the most important contribution to policy making in sales and management. m/m

RESULT



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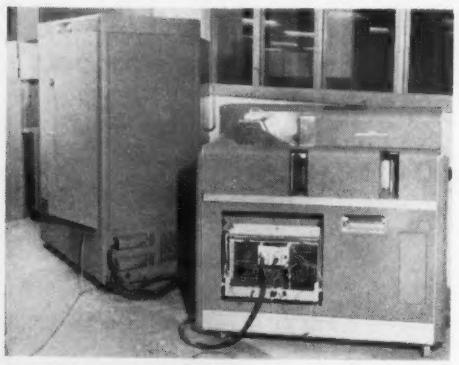
STEP 1



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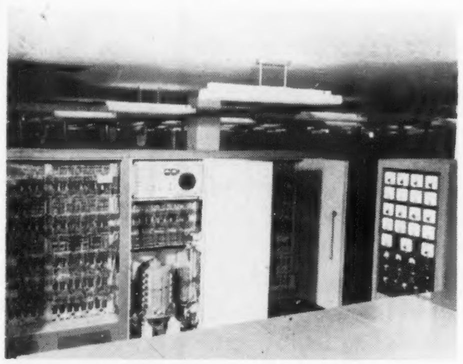
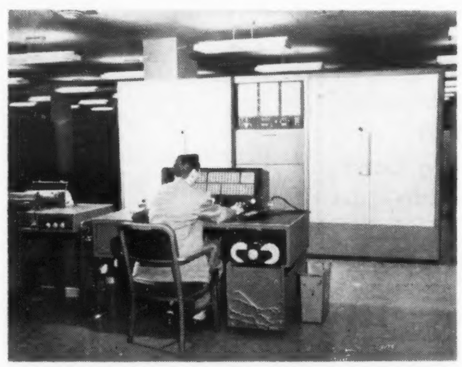
STEP 2



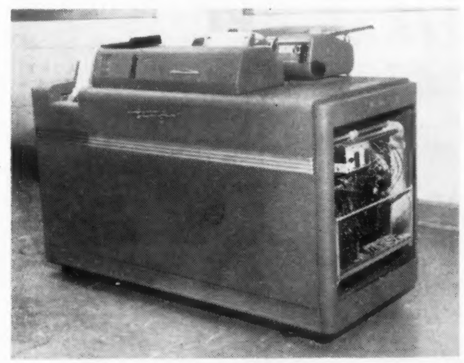
The second step involves "programming." This is done by the operator who breaks down the problem into a sequence of simple instructions. They specify what the computer is to do with the data given it. These instructions are put into numerical form and punched into paper tape or cards. Subsequently, they're read into the computer's magnetic-drum storage (center, above) or auxiliary magnetic-tape storage. The magnetic-drum has a capacity of 40,800 digits while the magnetic-tape memory holds 1,600,000 digits per 2,400 feet of tape. At the right is the power control unit.

STEP 3



The third step is the actual operation of the electronic computer. The programmer is shown putting the Datatron into operation. To his right can be seen the photoelectric perforated tape reader. It feeds numbers and instructions into the memory drum at the rate of over 450 decimal digits per second. At upper center of the Datatron itself is the supervisory control panel. This panel displays computer contents as an array of neon lights. Switches on the console in front of the operator operate and control the entire system. Switches permit either continuous or step-by-step operation.

STEP 4



The fourth step involves printing the summarized data. This is done by means of the 407 IBM Printer shown above. At the right can be seen the board which is plugged in to print whatever combination of figures is desired. This machine has a capacity to print 12,000 digits or 150 lines of the average printed report per minute.

The number of procedures eliminated by the Datatron is dramatically emphasized in the two charts to the right. On the left side, 34 steps are needed to complete one of the company's reports. On the right side, a flow chart for the same job with the Datatron shows six steps.

computer

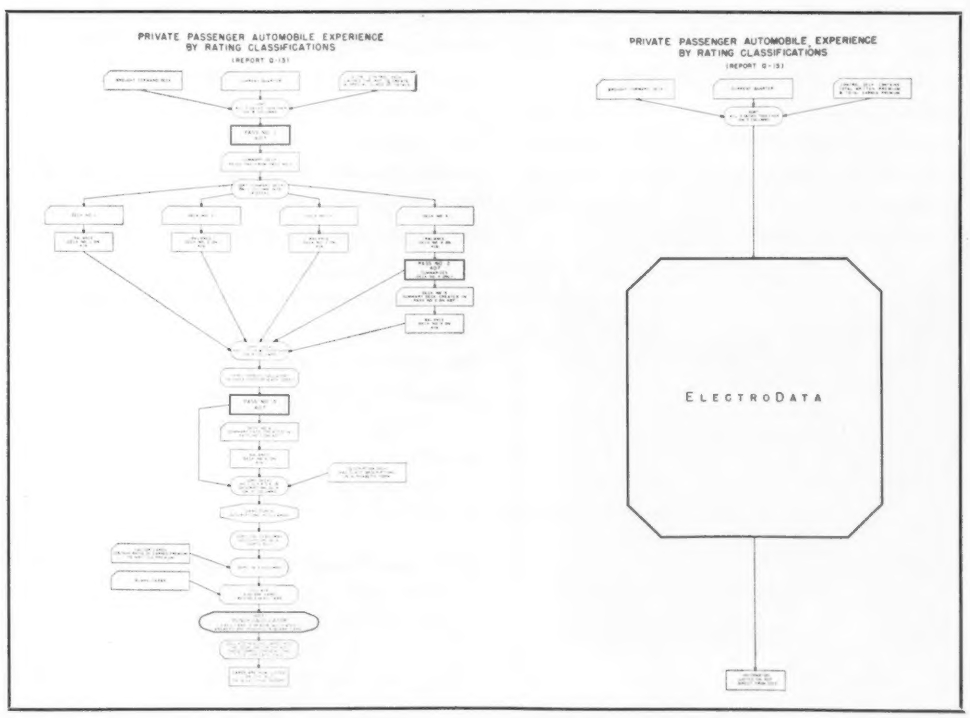
computer to all of the branch offices. Only the home office is equipped with an electronic digital computer. The five zone offices now use punched card equipment on a rental basis. The goal is to make a complete circuit with home and zone office equipment tied-in together. Data could then be processed automatically during the night, and information would then be available to management for decision, practically while trends are developing.

Computer cost and savings

The decision to purchase a medium-size computer was made because of Allstate's decentralized organizational structure. This type of equipment can be used effectively at more than one level operation. The computer is called a "Datatron" and was purchased outright from the manufacturer, ElectroData Corporation of California. It sells for about $250,000, and includes all components. These are the main computer, three magnetic tape drives, control console, high-speed optical tape reader, two electric typewriters with tape reader and punch, IBM converter unit, motor generator set, and power control units.

The company estimates that savings will accrue primarily from the release of rental equipment and the reassignment of employees who heretofore had been tied up for long periods working on these reports. Emphasis is not only on dollar savings, however, it's also on increasing the speed with which meaningful reports can be put into the hands of management. This is the area where electronic computers should make the most important contribution to policy making in sales and management. m/m

RESULT



thought starters

Thought Starters deal with a "practical solution to a management problem." The Editor invites contributions—which are paid for at our normal space rates.

PAYROLL thought starter

Company deposits payroll in employee checking accounts

Convenience for employees and economies for management are the result of the unique payroll banking plan developed in Philadelphia by Towers, Perrin, Forster & Crosby, Inc., in cooperation with the Provident Trust Company. Now in operation five years, the plan has the endorsement of employees, bank, and TPF&C officials.

Originally, employees were paid twice a month. Then the payroll plan was changed to a monthly basis. Later, a system was developed whereby each employee has a personal checking account established by the company, at the Provident Trust Company.

Monthly deposits of the entire payroll are made in the bank, and are credited each payday to the individual accounts of each of the employees. Subsequently, each employee receives a duplicate deposit slip indicating the amount deposited to his account.

Even though the company absorbs service charges incidental to such accounts, it endorses the system as economical. Employees are enthusiastic about the convenience of the system, particularly those who do extensive traveling for the company and are frequently out of town on payday.

TRAINING thought starter

Advertising agency employees learn basic accounting methods

Most agency people are up on their reading and writing, but when it comes to arithmetic, that's a different story. For that reason, most of the employees at the three offices of Marsteller, Rickard, Gebhardt and Reed, Inc. sat in on classes over a two-week period. It was not necessarily to learn arithmetic, but to learn how to read a balance sheet and to learn some of the basic principles of cost accounting.

The classes, five two-hour sessions in all, were conducted by Dr. T. LeRoy Martin, Head of the Accounting Department of Northwestern University, and his brother, Prof. Charles H. Martin of the Accounting Department at Rutgers University.

The short course was held to insure that the advertising agency service reflects a full appreciation of a client's financial considerations. Only by understanding a balance sheet and a profit and loss statement can an account executive be qualified to counsel on advertising and promotional policy, reason the agency executives.

As examples, a substantial rise in a company's inventory position may be the time to intensify product advertising—or at the minimum, to call to the

attention of sales management such a possibility. Conversely, the substantial reduction in inventories may signal a change in the direction of a program. Or, the future need of capital for expansion or modernization may be the time for the agency representative to call management's attention to a corporate advertising program.

Information of this character can generally be gained from reading client balance sheets properly and regularly. At the same time, it gives the account executive a greater appreciation of the financial considerations that are weighted into decisions affecting advertising. Too often are clients' observations true that account executives are good creative people but are strangers to business realities.

Two lectures on the principles of cost accounting were added to the course so as to have account executives, production, art, and media men and

women conscious of the cost of their output and the determining elements.

Anything that makes it easier for account people to relate, in terms of dollars, the hours expended in carrying out an assignment is a step in the right direction. It helps establish the compromise between the optimum, creatively, and the practical, financially.

A talking knowledge of the rudiments of cost accounting also helps account executives understand a client's pricing structure—or, at the least, it is felt, to ask intelligent questions on the subject. To add to the value of the lectures, clients' balance sheets and operating statements were used.

INDEXING thought starter

Terminal digit indexing replaces numeric system

Interest in terminal digit indexing has been increasing, particularly in the

insurance field. It is supplanting the old numeric system in which only the end of the file was open, because papers were filed in strict numeric sequence. In terminal digit indexing, a series of six numbers is arranged in groups of two, like this: 12-34-56.

These three groups correspond to three main divisions of the filing system when read from right to left. The first is the primary group guide number. The second is that of a secondary group guide card in the body of the file, while the third is that of a particular folder. This enables the whole filing system to be in use. Gaps in the numbering sequence do not affect the system. The system will encompass a million folders.

Terminal digit indexing machines are available for use on printing presses, both flat bed and rotary, to number forms as they are printed.

For more information about terminal digit indexing machines, circle number 386 on the Reader Service Card.

HIRING — thought starter

"Honesty evaluator" prevents employee dishonesty

One of the leading lie detection organizations now markets an "honesty evaluator," a unique employment application form designed to appraise the trustworthiness of job applicants. The ever-present possibility of serious losses due to employee dishonesty can be minimized only through an accurate appraisal of the honesty and reliability of persons who apply for jobs.

The application consists of 158 questions, 42 of them similar to those found on standard employment questionnaires. By examining the total answer pattern to the remaining 116 key questions, a skilled interpreter can assess the reliability of a potential employee.

Developed over an eight-year period, the "honesty evaluator" was tested and compared to tests made with the polygraph lie-detector technique. Results of the two types of tests were virtually indistinguishable. The firm also lists these four values of the "honesty evaluator" questionnaire:

1) The written test is more efficient than a polygraph examination (now in use for pre-employment tests by some financial institutions and industrial firms), since it may be administered to a number of persons simultaneously.
2) Filling out a form presents no cause for embarrassment, which a lie-detector test sometimes does; therefore, resistance to the written test is rare.
3) Since it is designed to reveal tendencies, the questionnaire is predictive in nature—not just a means of determining past behavior.
4) The form includes an agreement to take a lie-detector test, if one is warranted, and signing this agreement constitutes a powerful inducement to remain above suspicion.

For more information, circle number 399 on Reader Service Card.

PRINTING thought starter

"Doubling-up" on multilith masters cuts costs by 50%

$ IDEA

Edmond W. McNamara, Office Mgr.
The Bassick Company
Bridgeport, Connecticut

It is twice as economical to print a form "two-up" as it is to print single impressions. For example, to print a thousand copies of a form 8½" x 5½", a standard size, you feed 11" x 8½" paper through the press, and then cut the paper in half after printing. Then, only 500 sheets need be printed instead of 1000. This reduces machine time and printing labor time by 50%.

Although this is common practice in printing, in the use of multilith masters it is not usually done. Because multiliths are frequently used for short runs or in conditions of urgency, the form is normally hand drawn and hand lettered, on a paper master.

Drawing a fine form by hand (or even in conjunction with a typewriter or varitype) is relatively delicate and exacting work. To make a second identical drawing on the same master is an extremely difficult task, and time-consuming. Consequently, the required number of copies are usually printed one impression at a time.

A practical solution to this problem eliminates the need of making a second drawing and still permits printing "two-up." This is done by reproducing a multilith master from a multilith master. The steps are as follows:

1. Draw form design on upper half of paper master "A."
2. Clamp master onto machine.
3. Run second paper master "B" through machine, thereby picking up on it an exact impression of the design on master "A."
4. Reverse second master "B" and run through machine again, thus receiving a second impression of the design.
5. Substitute master "B" for master "A" and run off the required number of copies.

Since the impression on master "B" may not be as long-lived as the one on master "A," keep master "A" until sufficient copies are made. This process can be repeated for a future printing. However, an inexpensive alloy plate which can be photographed from the original printing is recommended.

FORMS thought starter

Variety of form letters cuts customer correspondence cost

Paul Holly (President, OMAC)
Manager, Clerical Operations
Aldens, Inc.
Chicago, Illinois

An example of profitable office engineering is Aldens' experience with customer complaints and correspondence. Originally, the procedure was to draft individual replies to all letters. This necessitated a large staff of clerks requiring special training in company policy and procedure. Productivity within the unit fluctuated directly with the volume of incoming work, resulting in substantial variation in cost per unit handled.

Management, when requesting an explanation of the causes, was invariably told that this type of handling was not measurable because the time required to complete a unit of work varied according to the complexity of the case. Individuals holding these jobs were considered specialists because of the pre-

sumed necessity of creative ability.

Not satisfied with these answers, management requested an engineering analysis. As a result of this study, it was found that the context of the drafted replies followed, with a few exceptions, a general pattern by classes, differing only in composition by the ingenuity, skill, and experience of the operator. Further investigation solidified these classes into 4 general groups: Adjustment, Service, Inquiry, and Miscellaneous. An examination of the drafted replies and original customer correspondence was made on a comparison basis with the results of all operators. It became obvious that the drafted replies were not only repetitious by operator but also in context by the entire group. The possibility of standardization through the use of a pre-printed form became apparent.

The current process requires the context knowledge of 51 form letters and involves a selection of the proper form. Variable information such as customer address, date, and amount must be filled in. We are currently conducting research for a fast drying transfer ink that may be used to transmit this information from other records.

The results of this management job has paid dividends. The job now requires a minimum amount of judgment necessary only in the selection of a proper form. 95% of all cases are now handled by the use of the form letter system. The remaining 5% are of the "special nature" type that still requires individual composition. Advantages of the new system are many. Standardization has eliminated the necessity of requiring special creative skills. It has permitted the establishment of a work standard and it now permits proper budgeting and control of costs. *(This is an excerpt from a speech at the 1955 NOMA Conference.)*

FACSIMILE *thought starter*

Facsimile machine speeds credit information to bank

A letter-size facsimile system at The First National Bank in Dallas links its Installment Finance Department with

the various important automobile dealers in that city. The system speeds credit information by eliminating the need for a trip by the dealer or the customer to the bank to arrange credit for the purchase of automobiles.

At the dealer's office the prospective automobile purchaser fills out a credit statement which the dealer places on a facsimile machine. The dealer presses a button and the statement is flashed instantly to the bank's Installment Finance Department. After the bank has read the facsimile "picture" of the statement, it uses the same machine to transmit its "okay" to the dealer. This makes it possible for the dealer to immediately complete the entire transaction as an extra service and convenience to the purchaser.

The statements and replies are transmitted and received at high-speed, with

the page-width form emerging from the receiving machine at the rate of 3.6 inches per minute, or as high as 500 words a minute for a printed form.

For more information, circle number 380 on the Reader Service Card.

PERSONNEL thought starter

Factory production workers become salesmen for a day

If production workers of the Monroe Calculating Machine Company, selected at random, had any notions of an easy life of a salesman before, they changed their ideas after spending a day with their sales counterparts. In fact, as for swapping jobs with their sales opposites, they agreed at the end of a day with the salesmen that they'd stick to their machines.

The recent salesmen-for-a-day tours are part of the Monroe Company's industrial relations program, which aims to give its employees an insight into all phases of the business. The produc-

tion men chosen were a screw machine operator, a milling machine operator, and a calculator assembler. Salesmen in the company's Newark and Paterson branch sales offices conducted the tour. The reports brought back by the plant men were made to all production employees in the company's four plants.

"The salesman has to expend a lot more effort than we do to get returns," was the observation of one factory man, adding that "our pay check remains the same if we put forth the same effort each week. The salesman makes his calls daily, but the probability of getting an order may take months."

"The salesman can't walk from his job when the bell rings at 4:30 either," said the milling machine operator. All three men noted that the salesmen had

a knowledge of every prospect's figuring systems and talked in the user's terms, whether they were in the office of an engineering firm, a manufacturer, or a savings and loan association.

Greater understanding from the one-day tandem sales tours wasn't all on the production side. The salesmen felt that they too gained much, in learning the plant men's reactions as they saw the end use of the products they make. And from the standpoint of company solidarity, it is a good idea to have this exchange of viewpoints, the salesmen agreed.

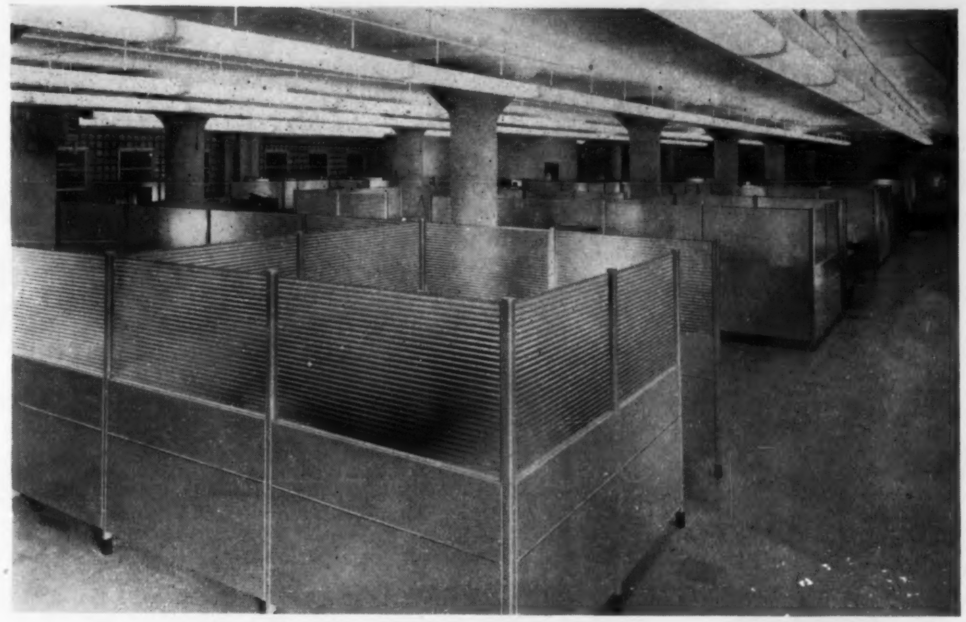
The mechanic's-eye view of the other fellow's job revealed to the plant men the rigors and uncertainties and irregularities faced by the salesmen. "Every man does the job he's qualified for, and the salesman has to be good to keep us in business," was the consensus of the three production experts.

work center

" . . . men and machines don't work in a vacuum. Though you may saturate your Work Stations with skilled workers and modern tools, they can produce efficiently only when 'community' factors like traffic control, and adequate lighting, and proper communications — and even creature comforts — are properly integrated."

integrated office

Movable partitions



achieve office layout flexibility

Free-standing "private offices" permit economical, overnight changes

By using free-standing movable space dividers instead of permanent walls, the American Cancer Society was able to make a series of substantial changes in its office layout at a saving of $3,483. The changes involved more than 1,000 running feet of partition, which was dismantled and re-erected in three separate night-time moves by Itkin Bros., Inc., New York, who made the original installation.

The Society, which anticipated future space changes, chose movable equipment on the basis of its low initial cost and its ability to be economically re-arranged.

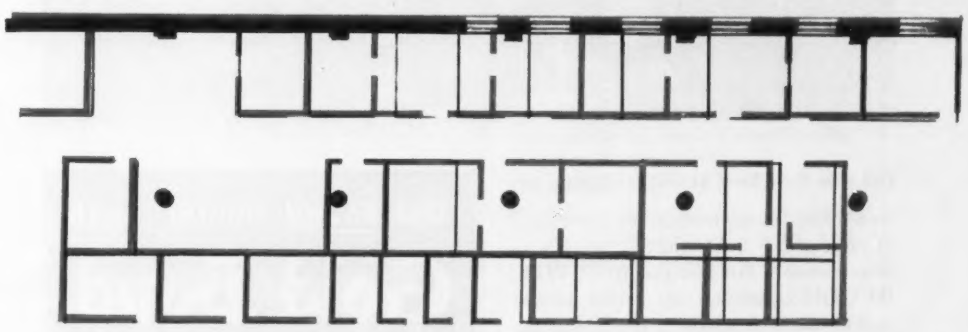
The first shift of 500 feet of partitioning was accomplished in one night. Using permanent partitioning, it would have taken 3 days and would cost about $2,500 in labor and materials. The charge for resetting the portable partitions was just $425. The second change required the resetting of 150 feet of partitioning. This cost only $82, as compared to the estimated cost of $750 using standard material. The last change involved 180 feet of partitioning. The cost to move this was $160 as compared to the cost for standard partitioning of $900.

The total cost for these three moves was $667, as compared to the estimated cost of $4,150 for standard equipment, or a total saving of $3,483.

The partitions are arranged in departmental aisles. They form rows of semi-private offices directly in front of the office of the executive responsible for that department. Inter-departmental traffic is reduced to a minimum, and efficient work-station arrangement is assured for all employees.

Parallel rows of fluorescent lighting fixtures provide adequate light. The offices are laid out in direct relation to the fixtures. The 68" partition walls cut down the possibility of any poorly lighted work areas, and also provide for better air circulation.

During the three change-over periods, electrical and telephone fixtures were put in place before each evening's work. Then, before work time the next morning, the fixtures were re-installed at the new desk locations. The three moves were accomplished without any interruption of the regular work. **m/m**

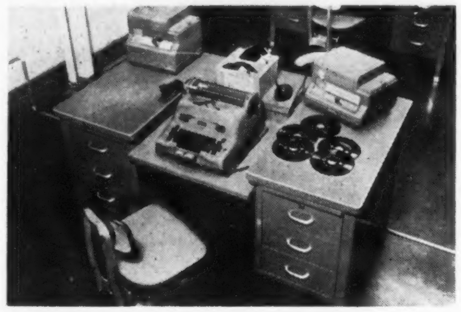


Floor plans outlining office layout before (black) and after (color); the overnight changes dramatize the high degree of flexibility permitted by the use of free-standing portable partitioning equipment.

plan-ning idea

Modern work stations increase efficiency for a company that "just grew"

Three examples of departmental changes in the re-organization program



Transcribers' work stations feature modern, double-pedestal desks.

Improvements made in three departments of the Aetna Insurance Company's New York office demonstrate how modernization can increase office efficiency. As with most companies that experience a steady, cumulative growth over a long period of time, haphazard improvements had become inadequate in meeting expanded requirements.

A series of studies of filing operations, inter-departmental work flow, and space utilization resulted in a physical re-organization of departments and a standardization of office desks and equipment.

How the filing department operates

Central Filing is one of Aetna's busiest departments. As soon as a policy is written and coded, it is sent here for filing. Any information that may be required regarding a particular policy during its period of coverage—such as renewal dates, audits, claims—must be obtained from these files. Index and expiration cards are also filed here, so that renewals may be determined at a glance. Whenever rate changes occur or claims are reported on, further demands are made upon Central Filing.

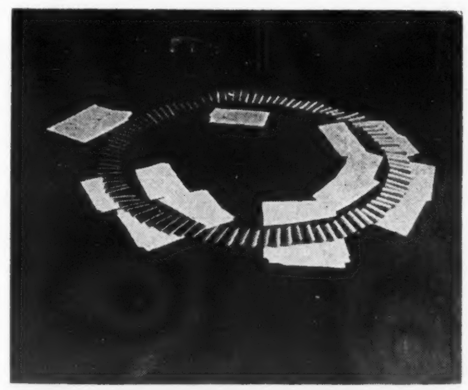
To provide swift, easy operation of this active file room, Aetna installed double rows of five-drawer files, arranged back-to-back to afford the most efficient use of space. Each file has a capacity of 133 inches of usable space, thereby permitting concentration of policies in a limited number of files.

Important factors also for this all-female department are the height of the files (only six inches above that of a four-drawer file), making for easy accessibility, and the fact that the automatic drawer action makes the guides to the policies visible the instant the drawer is opened.

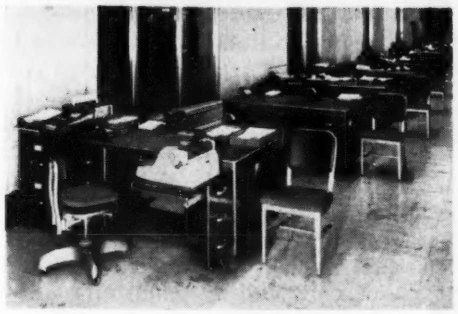
A terminal digit system, which management finds reduces filing time by approximately 25%, is used in conjunction with revolving pre-filing discs. Set up at table height in the center of Central Filing, each disc supports an accordion-like band of open flaps in which policies can be rapidly arranged according to terminal numbers. When removed, they are in numerical order and ready for successive filing.

Dictation and transcription

In the transcribing room, extra care was taken to find just the right combination for efficient performance. Working with a minimum of interruption and contact with other departments at what is basically a grinding task, employees of this department could easily become subject to fatigue



Revolving pre-filing discs set up at table height aid filing clerks.



Space acts as own divider between desks.

and boredom. To prevent this, a light, spacious room was provided where desks could be placed well apart to give a feeling of prestige and privacy. Double pedestal desks with fixed platforms for noiseless typewriters replaced conventional desks and stands. Dictation records from the various departments are played back by the transcribers placed on each desk. Conventional office chairs were replaced by posture chairs upholstered with foam rubber.

In the Underwriting Department, on the main floor, where Aetna "meets the public," each desk unit has been arranged to serve two functions—both as a work station for the occupant, and as a "private office" where the underwriter can confer with the broker. Space is used as a divider, and to afford each individual a feeling of privacy.

Each underwriter has his desk arranged to care for all his working needs. Forms, blanks, rate books, and working policies are housed within the desk in box and vertical file drawers set up for underwriters' requirements.

In modernizing and reviewing, Aetna has sacrificed little of its old dignified simplicity. There is a generous use of space and a respect for the values of the individual employee.

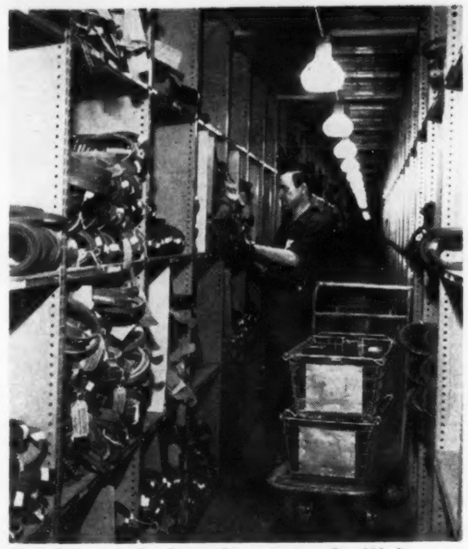
For more details circle number 372 on the Reader Service Card.

plan- ning idea

Warehouse space doubled by adding floor between floors

A warehouse that has some of the best features of a streamlined supermarket has solved V-belt storage problems, at Dayton Rubber Company. The new warehouse space was obtained without any new building construction.

(next page, please)



Engineers designed storage facilities on the second floor of the existing warehouse structure. A sturdy mezzanine floor was built 8 feet above the old floor, doubling effective floor space.

Belts are kept in open-end bins. They go in at one end and are removed from the other at shipping time. This steady flow of stock assures stock shipping in the same sequence as production. Other outstanding features of the storage department include rolling carts similar to shopping baskets, conveyors, automatic elevators, and a gravity chute to transport the belts.

A conveyor carries belts from the inspection department to the warehouse. After they are grouped according to size and classifications, they are placed in the tote baskets, which roll down an incline to a spot where they are packaged and picked up for distribution to bins.

Belts for the mezzanine floor then roll to an automatic elevator which lifts them to the second level. From the elevator, the baskets go down a gravity chute before going to the bins.

Each stock bin has location code numbers which tell if the bin is on the main or mezzanine floor, the row in which the bin is located, and its exact place in the row. Some 5,000 steel bins have been installed on the two floors.

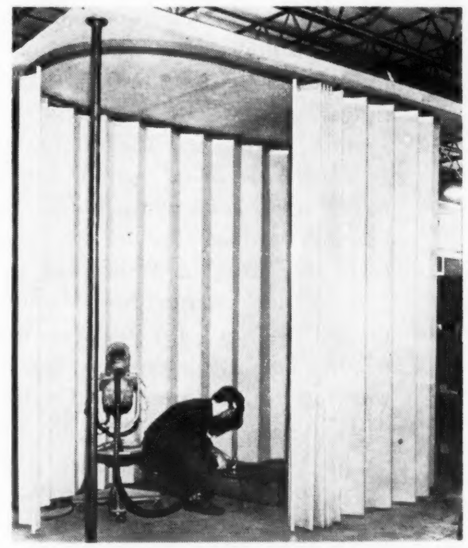
plan-
ning
idea

Islanding a noisy operation

A retractable folding curtain is designed to isolate noisy areas in factories and offices. Made of a high-grade jute and heavily coated with flameproofing resin, it is still lightweight, rugged, and inexpensive. It is formed into 7″ panel folds especially spaced to produce an accordion effect.

The unit is suspended from a 6′ x 12′ ceiling panel of plywood at a height of 10′. The curtains are suspended on a rectangular track layout 5′ 4″ wide by 11′ long. Sweep strips can be used at the bottom of the curtain to make contact with the floor. Fiber glass ceiling board is applied to the ceiling for greater noise reduction. Nylon wheels in an enclosed track permit the curtains to be opened and drawn with ease.

The results of noise reduction tests made in a cast iron foundry has proved the value of the unit. Most prac-



tical for silencing intermittent noises, the curtain can be removed after the work is completed and stored until it is needed again.

For more information, circle number 379 on the Reader Service Card.

plan-
ning
idea

New products for work center application

Free illustrated booklet on business interiors

A new, 20-page, humorously-illustrated booklet, "Business Interiors—Office, Store,

Showroom," discusses the planning of an effective business interior.

The booklet starts with the premise that increasing the efficiency of employees, utilizing working space to the best advantage, and presenting an attractive "showcase," will mean increased savings. It points out that a business concern, whether store, office, or showroom, should concentrate on selling itself as well as its product.

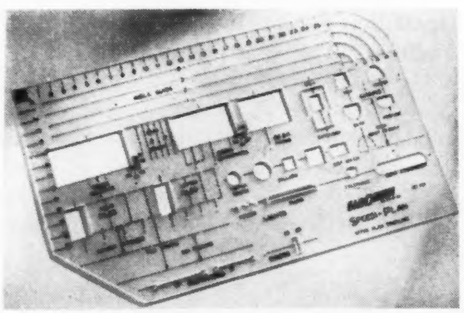
Each of the factors involved in the planning of an effective business interior —rent, lighting, color, etc. — is treated uniquely in the cleverly written booklet. Details are given on how future savings can be realized.

For a free copy of the booklet, write to S.S. Silver Interiors, 350 Butler Street, Brooklyn, N. Y.; or circle number 378 on the Reader Service Card.

New office layout templates are easy to use, fast, and accurate

Office layout and office work-flow templates have proved of unusual value to management executives and personnel in planning. A new template made of celluloid offers fast and accurate use with only a pencil or ball point pen.

Two types are available, one scaled 1/8" to the foot and one 1/4" to the foot. Each has a variety of "cut out" outlines representing different types of office furniture and equipment.



The templates are translucent and can easily be used to trace forms onto layout paper. Since the templates themselves are only guides, they can be stored and used indefinitely.

Both templates contain a complete set of office fixture dimensions and outlines, from desks to filing cabinets to module partitions. Also included are outlines for such detailed items as telephones, lighting, doors, etc. These templates afford executives' time savings, uniformity and accuracy in office layout planning.

For more information, write to A. Lawrence Karp, 16 Putman Park, Greenwich, Connecticut; or circle number 377 on the Reader Service Card.

Low-weight pallet stores easily, economizes materials handling

A new materials handling pallet weighing only 28 pounds is designed to support 3,000 pounds of working load. This high strength-weight ratio is obtained by a sandwich type construction with high strength facing and lightweight core.

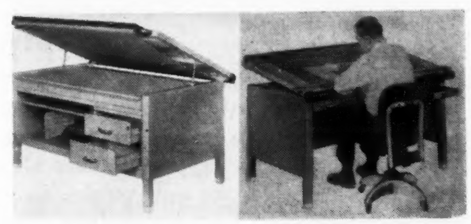
Nine hollow legs molded in one piece with the platform are spaced to allow a four-way approach for fork lift trucks. They provide an economical solution to

storage problems. Nested together in the hollow legs, 100 of these pallets occupy only 102 cubic feet.

For more details, write Firmaline Products, Inc., Midland Park, N. J.; or circle number 393 on the Reader Service Card.

New drafting desk helps simplify drafting operations

A new drafting desk makes all drafting operations possible in a comfortable, seated position. The drafting platform on the desk is equipped with an endless vinyl plastic belt, 48″ wide, which can accommodate a drawing 72″ long. Its self-healing feature prevents pencil and compass holes. The belt is moved by 2 rollers. By turning the front roller, the draftsman moves



the belt and drawing affixed to it, so that any part of the drawing is well within range of visibility and reach.

Storage space is incorporated into the bottom of the desk. A large center drawer for prints up to 26½″ x 37″, and an instrument drawer is in front. An area for book shelves and storage drawers is in back.

For more information, write to the General Fireproofing Company, Youngstown, Ohio; or circle number 376 on the Reader Service Card.

where they work

THE OFFICES OF SUCCESSFUL MEN

THE MAN
Judge Charles F. Murphy
Code Administrator

THE COMPANY
Comics Magazine
Association of America

THE DESIGNER
Itkin Bros., Inc.

AS CZAR OF the comic book industry, Judge Murphy maintains an office whose atmosphere is consistent with his background as a former magistrate. His office is decorated with comfortable, conservative dignity, yet with an eye to modern efficiency. It serves the dual purpose of executive office and conference room.

An eight-foot, executive-conference desk dominates the office. Made of rich walnut, it blends with the many surrounding side chairs and the sofa. These are all finished in soft red leather. The executive posture chair is high backed, and commonly called a "Judge's Chair."

All the furniture is simple, designed along traditional lines. Decorative touches are subdued. The walls, carpeting, and draperies preserve the dignity of the room by the decorative use of warm grey tones.

To overcome the problem of an extremely high ceiling, it was painted dark grey to minimize the proportions. Lighting fixtures were installed reflecting down, to add to the effect. m/m

6 ways to

How to provide increased illumination in special situations

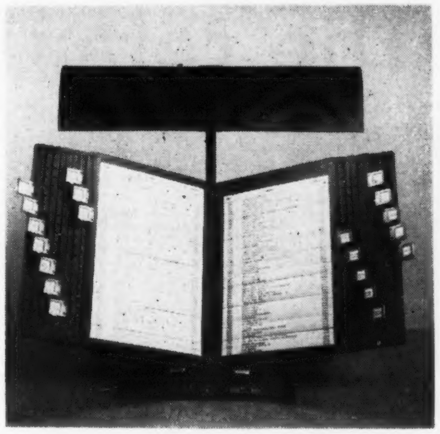
by **Will Fisher,** Illuminating Engineer
General Electric Company

Carefully controlled tests have demonstrated that a general lighting system which produces between 50 to 100 footcandles (units of light) is both desirable and economically feasible. Such a system more than pays for itself by the improved level of performance of the employees who work in the area. Although good general lighting usually eliminates the need for supplementary lighting, supplementary lighting may be needed as a temporary relief measure, pending installation of new, properly planned general lighting. There are also some severe visual office tasks which may require illumination of several hundred footcandles. In these cases, good supplementary lighting offers an important practical solution.

The supplementary lighting source should always be positioned to illuminate the specific task without shadows and to minimize the possibility of direct or reflected glare annoying the worker or others nearby. It can emanate from portable lighting units using incandescent lamps of the proper wattage in diffusing bowls, or fluorescent tubes properly shielded, but it should always be applied onto a base of good general illumination, without introducing severe visual contrast with the rest of the room. Six examples of specialized supplementary lighting are shown on the opposite page. m/m

integrate supplementary lighting

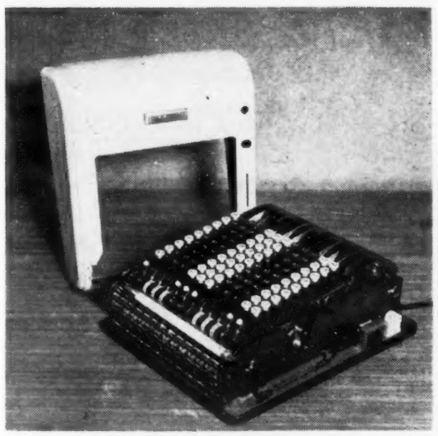
1. ART DEPARTMENT



2. INDEX ROOM

1 A luminous panel provides a marked improvement in visibility for such tasks as drawing on stencils, proofreading, and correcting them. The top part of the panel is made of a highly diffusing plastic material and the inside surfaces are painted white. Fluorescent lamps are ideal as the light sources as they will operate cooler than incandescent lamps. Unused portions of the panel are covered with an opaque material so that glare will not disturb the operator.

2 Good supplementary lighting is used for a large index in which thousands of items are catalogued. A 15-watt fluorescent lamp is enclosed in the reflector mounted over the index. Because of the raised position of the book pages, there are no disturbing reflections from the surface of the pages into the eyes of the operator, even though they are covered with a clear, glossy plastic material to keep them clean. The outside part of the lighting unit is finished in a light pastel color to avoid a contrast in brightness.



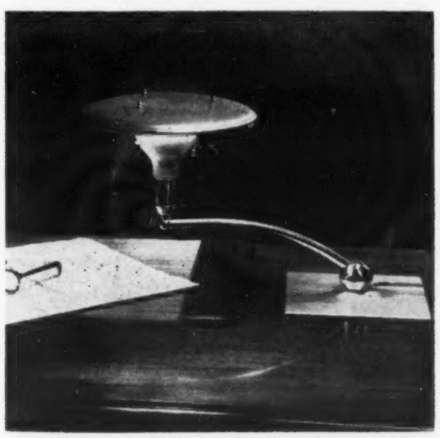
3. CALCULATING MACHINE

4. EXECUTIVE OFFICE

3 Although most office machines are operated with the touch system, on a calculating machine it is necessary to read figures accurately on a small dial. Here, a 6-watt fluorescent tube, ⅝ of an inch in diameter, is mounted inside the machine case to produce supplemental light, and thus provide better visibility when the operator is reading the dial. The lamp ballast is located inside the machine case, while the light switch projects through.

4 Two units over the desk, each with three deluxe cool white circline fluorescent lamps of 8", 12", and 16" diameters, provide general lighting. In order to balance brightness throughout the room, improve the feeling of spaciousness and appearance, supplemental lighting from indirect ceiling suspended units and wall valances are used. The two inverted reflectors each contain an 8" and 12" circline fluorescent to direct light to the ceiling. The valance around the perimeter of the room contains two rows of fluorescent lamps —one to light the upper walls and ceiling, the other to light the lower walls and draperies.

5. EXECUTIVE OFFICE



6. INDIVIDUAL DESK

5 A completely luminous fluorescent ceiling provides a modern appearance and both general and supplementary lighting. The lamps are placed closer together above the louvered section immediately over the desk so that 100 footcandles of illumination can be produced on the desk top. The lamps are operated on two circuits so that uniform illumination of about 40 footcandles can be provided throughout the whole room when it is used for interviews or conferences. The circuit controlling the lamps over the desk can be turned on from a desk switch when close visual work is being done. The shelves behind the desk are lighted by slimline fluorescent lamps in reflectors.

6 A movable desk lamp using an incandescent bulb and a metal shade provides extra indirect lighting for desk working areas. Generally, office lighting is set around 50 footcandles. Lighting requirements for each work station depend on the amount of detail work to be performed, and the age and eyesight condition of the worker.

What to do about

The retail trend to the

Answers to the ten most frequently asked questions

A guess — probably conservative—is that up-coming shopping centers under construction, or blue-printed, will add some *200 million square feet of new sales space* to the U.S. retail structure. In California alone, ten million square feet of shopping center sales floor will be completed by the end of next year. And the range on the coast would span everything from super-projects like West Covina, Hillsdale (San Francisco), and Broadway-Anaheim, all of which will feature major department stores, to many modest-size centers like Country Fair in South Whittier which will embrace only nine acres.

Apparently this is the year when shopping centers come of age, and take their place in the *basic retail pattern* of the country. Hence, this might be as good a time as any to answer the ten most frequent shopping center questions asked by those in food, drug, variety, and department stores across the country.

1. *"How 'permanent' is this 'retail trend' to suburban centers?"*

Let's hasten to disabuse ourselves of the notion that this is a "retail" trend. The centrifugal movement from city core to perimeter, and beyond, is one of the major sociological phenomena of our time.

Remember that in our parents' and grandparents' generations, migrations generally ran from country *toward* the city core. Families sought the close-in security of urban city blocks. Houses on trolley car lines commanded the best prices.

Now the movement is precisely *in reverse* — from city toward suburbs, and from settled suburbs to suburbs of suburbs. The dispersal outward is so compellingly deep seated that it would hardly surprise us to learn that it has been caused by some subtle disturbance of the earth's polar forces.

Stores no less than people are caught up in this inexorable outward tide. And if shopping centers didn't exist, they would now have to be invented. So long as people insist on shopping within 10 to 20 minutes' travel time of their homes, shopping centers will be as fixed a suburban landmark as schools, filling stations, expressways.

2. *"Aren't we simply siphoning off from our main store when we branch into the suburbs?"*

Not necessarily. Downtown stores *always* shared their trade with neighborhood store clusters. The Loop stores in Chicago always had to share business with the 63rd and Halsted stores as well as the hundreds of store clusters stretching out all over the city. Buffalo's Main Street stores have had to share their business with the merchants in the East Side Broadway sector. Detroit's three main arteries—Gratiot, Grand River, and Woodward have been lined with store clusters—and we mean sizable chains like Sears, Federal, Kresge, Neisner, all interposing major shopping points before customers reached downtown. Outlying competition to downtown stores is not new. It is just that the shopping center *is much more clearly defined* than the clusters of neighborhood stores.

3. *"If we sign a lease in one Center, what protection do we have against a second competing Center opening nearby?"*

None. But what protection do you have downtown? What protection did Lerner's 34th Street Manhattan have against Ohrbach's acquiring a site a few doors up the street? Shopping centers are desirable retail locations, not *unique franchises.* Every retailer—Main Street or suburban—must conduct an operation that will stand up against competition—actual or conjectural. If yours is the kind of business that must be fenced against competition, then the shopping center is not for you. But neither is Main Street. Anyway, *the bogey of competing centers has been overdrawn.* Take Paramus, New Jersey: Macy's and Allied Stores Corp. are building two super-regional centers *less than one mile apart.* Both developers plan not mere "branch" units, but major department stores. (Allied's Stern Brothers unit will be about 75% as big as the parent store on 42nd Street.) Both companies manage to compete with each other in Manhattan. Why not in Paramus? As a matter of fact, it will be far more convenient for a shopper to get from one shopping center to the next than it is for the Manhattanite to get from Macy's to Stern's.

Reprinted from the June 15, 1955 issue of the Retail Edition of Grey Matter, published by the Grey Advertising Agency, Inc., New York.

suburbs

about shopping centers

4. ***" . . . but isn't our store in a shopping center at the mercy of the drawing power of our co-tenants?"***

Only to an extent. But in center after center it has been demonstrated that an outstanding store can and does pull its own weight. There are some centers in which the super-market does a most profitable job, while the department store branch (which was supposed to be the key traffic magnet) sits idly in the doldrums. There are centers housing three variety store chains in which only one does a superlative job, while the other two just manage to squeak along. There are, of course, innumerable instances where single isolated stores, without the benefit of a combined operation, succeed in pulling all the traffic they can handle. Case: Korvette, sitting all by its lonesome on an isolated stretch of highway near Westbury (Long Island), pulls so much traffic during evening hours as to tie up the nearby Grand Central Parkway. Grant's store at University Plaza in Buffalo, by dint of sound storekeeping, pulls traffic at a pace head and shoulders above its rank-and-file co-tenants.

5. ***" . . . isn't there the danger of being trapped into a jerry-built get-rich-quick speculation?"***

Sure. But chains and department stores have made bad, unprofitable leases on Main Street, too. Today's shopping center investment is, for the most part, soundly propped. In most cases, prudent financial institutions are

advancing the funds. True, the loans are frequently contingent on the developer's obtaining key *chain* commitments. But certain basic risk requirements must be met. In many projects, the department store owner is the landlord: (Hudson's in Northland; Allied Stores are building ten centers. The May Co., Macy's, the Hecht Co., are all shopping center builders.) The fact is that for every shopping center that has been overbuilt, there are eight to ten that have been *underbuilt.* Center after center is undergoing *expansion* with additional space for stores and parking; in some cases, *the additional construction has doubled the size of the original center.*

6. *". . . but don't we need heavy pedestrian traffic?"*

No. Traffic counts are misleading. Downtown foot traffic is heavy. But what percent of the sidewalk count represents actual shopper traffic for your store—10%? 20%? 50%? In the shopping center, just about *100% of the traffic represents shopping customers.* Moreover, shopping centers are less vulnerable to weather slumps. Shopping center stores do not suffer nearly as much during summer months as do downtown stores. Nor are they as much affected by rainy days.

7. *". . . will the growth of shopping centers eventually kill off downtown?"*

Certainly *not* in the foreseeable future. The shopping center business feeds off *new population growth* which downtown simply cannot accommodate. Downtown stores will continue to live on a respectable plateau and even thrive as they discard lower to middle price ranges in favor of *specialization* in middle to upper price ranges . . . merchandise areas which are *not* well represented in suburban centers.

8. *". . . aren't shopping center operations limited entirely to so-called convenience purchases?"*

Not any more. The major centers will house department stores geared to produce $60 to $70 per square foot. That kind of volume doesn't come from needles and thread. Hudson's, which occupies nearly a half million square feet in its Northland Center, is a complete store in every respect save for a cut-off of top-range luxury lines. Gertz, in mid-Island, the May units on the coast, will all be self-sustained "complete" stores. J. J. Newberry, variety chain, will have some of its largest units (70,000 square feet) in shopping centers. Of J. C. Penney Co.'s 30 new stores, 21 (many super-size) will be located in suburban centers.

9. *". . . should we insist on exclusive lease for our type of business?"*

Depends. Is the trading area large enough to feed *two supers,* or *two drug stores,* or two department stores? Westchester's Cross County Center has two department stores. Buffalo's Thruway Plaza has three variety stores. When you come down to it, same rules apply as on Main Street. There are some towns which obviously would not be able to house more than one major drug chain unit. There are some city blocks that can comfortably house four major variety chain units. Similar sober analysis of shopping center sites is the basis for decision.

10. *". . . what is the one factor that most shopping center tenants overlook?"*

The parking pattern. All things being equal, the competitive edge will go to the center having *superior parking facilities.* Nine out of ten shopping center deficiencies are traced to poorly planned parking facilities. A quick check list: Ratios of 4 feet of parking area for every foot of sales space is minimum. 5 to 1 is more desirable. Is there reserve land for additional parking area if—as has happened—the center gets a larger-than-anticipated traffic draw? Does the lease state that any additional store construction will maintain the same parking ratio as in the original center? Is the parking area in front of the stores? Is it lighted? It is well marked and catwalked? Is there a plan for maintenance and snow removal? Distance from the farthest car stall to your store should be within 500 foot mark. m/m

Check the embezzler—*beforehand*

HOW PROPER ACCOUNTING TECHNIQUES CAN INHIBIT HIS ACTIVITIES

by Louis H. Pilié, C.P.A., Barton, Pilié, Jones & Wermuth, New Orleans, Louisiana

It's quite possible that an embezzler is at work in your office right now. You may discover it later — long after you can hope to retrieve your loss. You may never find out. Either way, it is a fact that most firms are vulnerable simply because they neglect to develop the proper "checks and balances." A dangerous area is within your firm's purchasing function.

Take the case of a small but successful manufacturing plant in the South. Through the dishonest efforts of a bookkeeper, this company suffered a loss of $118,000 in a short 1-year period. This is how he operated: as a part of his bookkeeping duties, he made bank deposits, drew checks, entered cash records, and balanced them with the bank account. He forged the name of the company treasurer to checks made out to a fictitious supplier. During these operations, he merely slipped in his bogus checks and included them in the records.

Since there was no permanent record of receiving operations for auditing purposes, he also forged formal purchase orders which counter-balanced the bank-cleared, duly endorsed checks. He then had a confederate prepare and mail approved invoices from the fictitious supplier. This completed the phony file and put the embezzler's operations almost beyond detection. Eventually the thief was caught, and his apprehension led to these reforms in the accounting procedures:

1. A requirement that more than one person sign all company checks. The bookkeeper had found his operations facilitated by having just one signature to forge.

2. The responsibility for bank deposits, records, and cash records was divided among several people. The thief had sole responsibility for these items and consequently could do the manipulating in absolute safety.

3. The installation of permanent receiving department records. The thief never had to fear the discovery of any discrepancy between his own records and accounts of materials actually received.

4. The establishment of an authorized list of vendors who met certain ethical business standards. The thief had taken advantage of the absence of such a list to set up a fictitious company. Routine investigation of vendors would have exposed him almost immediately or discouraged his plans.

Another case based on weaknesses of an accounting system proved less costly. A buyer for a medium-sized department store in a southern city authorized the purchase of 3,000 dozen pairs of socks which had been designed mainly for use by mountain climbers. He made this purchase, it was subsequently learned, after accepting a bribe from the vendor. Investigations revealed that the store had not sold as many socks, of all types, sizes and descriptions, within the previous two-year period, as was contained in this one order! Reforms in accounting procedures which followed the exposure of the buyer included:

1. Establishment of routines calling for minimum-maximum inventory control requirements.

2. An up-to-date method for controlling excess stock.

3. Periodic statistical and financial statements.

These cases illustrate the "hard way" of getting the proper accounting controls on purchasing operations. The best method to insure safety from embezzlement and careless purchasing is to analyze present methods, install the necessary "checks and balances" where needed, and keep a "sharp eye" to routine reports. m/m

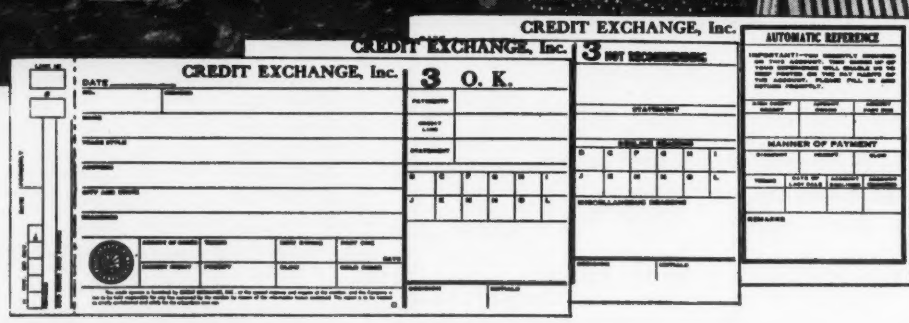
method *of the* month

Conveyor and telephone recorder=office automation

Credit service reduces processing time on customer inquiries

An automatic system utilizing a message conveyor and electronic telephone recording devices, has speeded the request answering service of Credit Exchange, Inc. of New York. The conveyor transports request forms from a telephone operator to a file searcher and back again. The recording device eliminates costly long-call tie-ups, by recording calls of more than seven individual requests.

Credit Exchange, Inc. provides 4,000 apparel manufacturers with up-to-date credit information from its active file on 300,000 potential customers. The volume of daily telephone requests, all of which are answered in a matter of minutes, ranges from 2,800 to 5,000 in the busy summer buying months. The 300,000 retailers in the files are categorized according to geographical location. For example, all the retailers in the states from Alabama to Florida are set up alphabetically in index cabinets at one work station. Each card contains the basic information to provide a clerk with a "yes" or "no" answer to



Office automation at Credit Exchange, Inc. is achieved by three simple steps. Step 1: Telephone operators place credit rating forms (shown left) with names and addresses of prospects on the automatic conveyor. Step 2: They are carried to the file searchers (rear of photo) who note the requested information thereon. Step 3: The conveyor brings the completed form back to the telephone operators who then read back the information to the client.

the question, "Is this customer a good credit risk." There are 4 such stations.

When a client calls and asks for a rating on a potential customer, the operator fills out a triplicate form of the request. It is placed on the conveyor, where it is automatically transported to the appropriate "check-out" clerk. The clerk checks the file, notes the answer on the request form, and sends it on the conveyor back to the operator. The operator then reads the information to the client. The whole process takes less than sixty seconds from the time the call comes in.

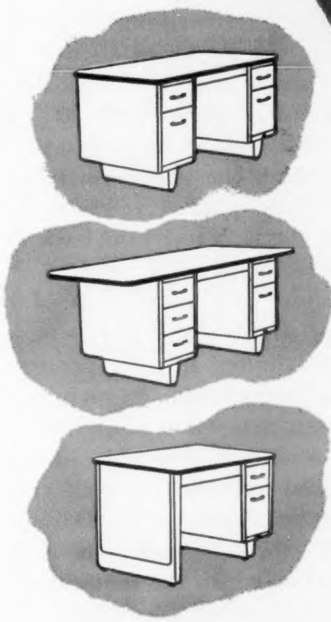
After the call is completed, one copy of the triplicate form is sent to the client as a verification, another is forwarded to the Bookkeeping Department for billing, and the last is sent to the Credit Department for a notation of the additional purchase by the buyer.

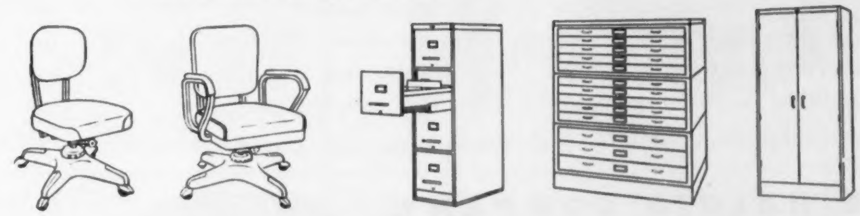
Designed specifically for Credit Exchange, Inc., the conveyor is 40 feet long and contains 15 different channels which move at a speed of 6 feet per second. The seven peripheral channels run from the visible index cabinets which house the files to the seven work stations of the telephone operators. Next to each desk is a rubber stop insert in the conveyor which automatically halts all cards when they reach a position next to the operator.

Four of the middle channels, which travel from the operators to the files, are color-coded and represent the four sections of the file (e.g. brown represents Alabama to Florida). One channel is reserved especially for transmitting credit slips to the automatic telephone answering department. Another goes to the Textile Department located at the end of the conveyor beyond the files. A third channel runs toward the opposite end of the conveyor to the Credit Department and furnishes direct reports to that department. The last channel is a spare.

The automatic answering device provides a method of recording telephone conversations on reusable plastic discs. Five special telephone lines are used for this service, leaving the regular trunk lines and operators free to handle the small requests which are much more numerous.

When a client asks for the automatic service, his call is transferred to one of





Operator on the automatic telephone answering system transcribes multiple-inquiry records onto regular information forms. Three units in background record telephone calls.

these special lines. The operator starts the magnetic recorder and hooks in the phone line to the machine. While the client is talking, a special light on the recorder flashes. When he is finished, the light automatically goes off. The operator then stops the recorder, removes the disc and replaces it with a fresh one.

In order to process the requests, the operator then places the disc on a regular transcribing machine and copies the names of client's customers on regular request forms. Because the transcriber plays back at controlled variable speeds, there is no restriction placed on the client's dictation speed. After the normal research and notation, the operator calls back the client and reads back the results.

Before the installation of the conveyor and recording system, all calls were handled by six operators sitting at an order table. As each request was written out, it was placed on a shelf in the center of the table. Each of the six positions on this shelf represented a geographical area. Six "check-out" clerks, three on each side of the table, then picked up the requests, walked to the appropriate files placed along the perimeter of the room, noted the necessary information, and then walked back to the table and handed the slip to the operator. The average time required to perform this operation ranged from .575 to .678 minutes. The conveyor has reduced the time to one request every 12 seconds or .20 minutes per request.

Time and motion studies of the old system showed that the "check-out" clerks walked an average of four miles per day. This was fatiguing and necessitated a half-day exchange of duties between the operators and the "check-out" clerks. This switching reduced efficiency because some of the personnel were better at one job than the other. Although no studies of the conveyor system have yet been made, its designer, Bernard Friedelson, assistant to the president, reports that the fatigue factor caused by walking has been reduced substantially.

Before the installation of the recording system, delays in answering calls were commonplace. Clients with a large number of requests often found their conversation interrupted because the operator at Credit Exchange had to answer other phone calls. Transcribing 100-200 requests, researching each one, and then reading back the answers to the client, often took more than an hour of the operator's time. If several long calls came in at the same time, a crisis was formed in the department. The remaining operators found the work load too much, and as the end result, clients were unable to get immediate service.

With the new conveyor-recorder system, the client merely indicates the time he wants his call returned. The operator can then process his requests leisurely and thoroughly, and return the call as directed. The automatic order-taking device and transcribing system has eliminated all delays in the handling of the calls.

Another advantage of the conveyor system is that it permits members of the other departments to make direct inquiries of the files without ever entering the file room. The conveyor stretches outside the phone and index departments into the Credit and Textile Departments, making its use directly available. m/m

FINANCING
capital goods exports

A privately financed institution now provides medium and long term export financing on a world-wide basis. The American Overseas Finance Corporation, itself financed by the Chase-Manhattan Bank, extends credit for exports of capital goods of United States origin. Formerly, exporters were largely restricted to the financing of the government-operated Export-Import Bank.

Under the terms offered by A.O.F.C., the foreign importer is required to make a down payment in cash of not less than 20% of the invoice value of the goods. He issues a note for the remaining 80% to the exporter, who then sells it to the A.O.F.C. for:

a. Cash payment of up to 75% of the face value of the importer's obligation (or 60% of the invoice value) AND,
b. A participation certificate for the remaining 25% of the obligation (or 20% of the invoice value). This represents the exporter's share of the credit risk.

Normally, credit will be extended for periods of up to five years. In some instances, where certain transactions require longer credit terms, the A.O.F.C. will extend this time. In order to minimize operating expense, all transactions of under $10,000 will be ineligible for credit. Each transaction is negotiated separately, and the rate of interest covering the transaction will depend on the particular circumstances of the case. Credit is available for both specific, non-recurring transactions, and for the establishment of credit lines to finance successive sales by an exporter to the same particular importer.

The exporter's participation certificate, covering 20% of the invoice value of the goods, entitles him to collect up to that percentage of the importer's obligation after the A.O.F.C. has been repaid in full.

Credit will be furnished primarily on capital goods which clearly tend to improve and develop the productive capacity of the importing country. In countries where dollar exchange is scarce, and its allocation is subject to government control, the degree to which the goods financed affect the importing country's balance for payment position will also be considered.

Equipment in such fields as transportation, heavy construction, mining and well-drilling, power generation and distribution, communications, agriculture, and manufacturing are among the products eligible for financing.

For more information, circle number 375 on the Reader Service Card.

clippings

NEW PRODUCTS IN THE EDITOR'S MAIL

New push-button dictating machine uses magnetic tape

A new magnetic tape machine is designed specifically for recording and transcribing. Magnetic tape, as a recording medium, can be used over and over again with the quality of recording and reproduction remaining constant.

The dictating machine employs five push-buttons which provides simple automatic control of the tape for recording, listening, forward and reverse speed winding, and stopping. Dictation corrections or playback are facilitated by an automatic scale indicator which gives accurate positioning when winding the tape backward or forward. The microphone-speaker is

equipped with a start-stop button to control the tape during pauses or interruptions while dictating.

Tone and volume controls produce a fidelity of reproduction not possible in conventional type dictating machines, according to the manufacturer. Compact in size, the electronic machine is 11½" x 9½" x 4¼", and weighs only eleven pounds.

For more information, write to the DeJur-Amsco Corporation, 45-01 Northern Boulevard, Long Island City, N. Y.; or circle number 391 on the Reader Service Card.

Electrolytic stencil markers for all finished metal surfaces

A new line of cartridge markers employ electrolytic action to permanently mark all finished metal surfaces. Said to produce marks of very bold or very fine line, the markers may be used safely on the most precise and delicate parts. Only a kiss contact is required between the cartridge stencil and the part, to initiate the marking action. No stress, stain, burrs, or deformation is set up in the part being marked.

Applications include production and inspection code numbers, and a variety of trademark and specialty marking uses. Marks may be produced on finished surfaces of all ferrous and non-ferrous metals and alloys including titanium, carbides, and plated surfaces.

Markers are supplied as complete two-piece units, including cartridge nose piece containing the stencil, and the electrolyte reservoir tube. The desired mark is reproduced to customer specifications in a long-life stencil which is permanently sealed to the cartridge nose piece. The

specially treated stencil material is capable of many hundreds of marks.

For more information, write to The Lectroetch Company, 14925 Elderwood Avenue, East Cleveland, O.; or circle number 373 on the Reader Service Card.

Foldable, magnetic recording disc designed for field dictation

A new recording disc designed for dictation away from the office can be folded and mailed in a standard envelope. It is usable over and over again, without any reprocessing.

Made of indestructible plastic, it is pre-grooved for automatic, perfect reproduction. This new disc facilitates correspondence for men in the field who dictate their reports in cars, trains, planes, and hotels. Upon completion of the dictation, the disc is folded in three and mailed to the home office, without any need for special envelopes or inserts.

For more information, write to Magnetic Recording Industries, 11 East 16th Street, New York, N. Y.; or circle number 390 on the Reader Service Card.

Sketching template kit simplifies drawing instruction

A new time-saving method of in-plant drawing training is scoring large-scale application by many manufacturers, including Douglas Aircraft Company, Northrup Aircraft, Inc., Hughes Aircraft Company, and AiResearch Manufacturing Company.

A kit enables personnel to acquire practice in laying out quick, three-dimensional ideas and shop fabrication sketches. It is then put aside once such ability is achieved. Training time involves but a few hours. No previous drawing experience or skill is necessary. The technique is particularly beneficial to personnel who need to originate and transmit technical information and ideas fast and accurately.

Firms may take advantage of a plan where a representative may be sent to be trained in a few days as an instructor. Thus qualified, he may return to teach the method at his plant.

For more information, write to the Technical Service Division of Northrup Aeronautical Institute, Hawthorne, Calif.; or circle number 374 on the Reader Service Card.

Combination billing-production order speeds service, improves

The addition of new products, increases in sales volume, production, services and personnel, opening of branch offices and warehouses, and many other factors contribute to the ever present need for periodic review of established forms and the study of proposals for new forms to keep the "tools" current with "policy." Continuous growth since its establishment in 1914 has brought the Ever Ready Label Corporation of Belleville, New Jersey, to its present level of producing 15,000,000 labels daily of many types for every need. Sixty thousand customers testify to their ability to produce. The paper work required to process these orders, with a new order every two minutes, tests their service and "know-how."

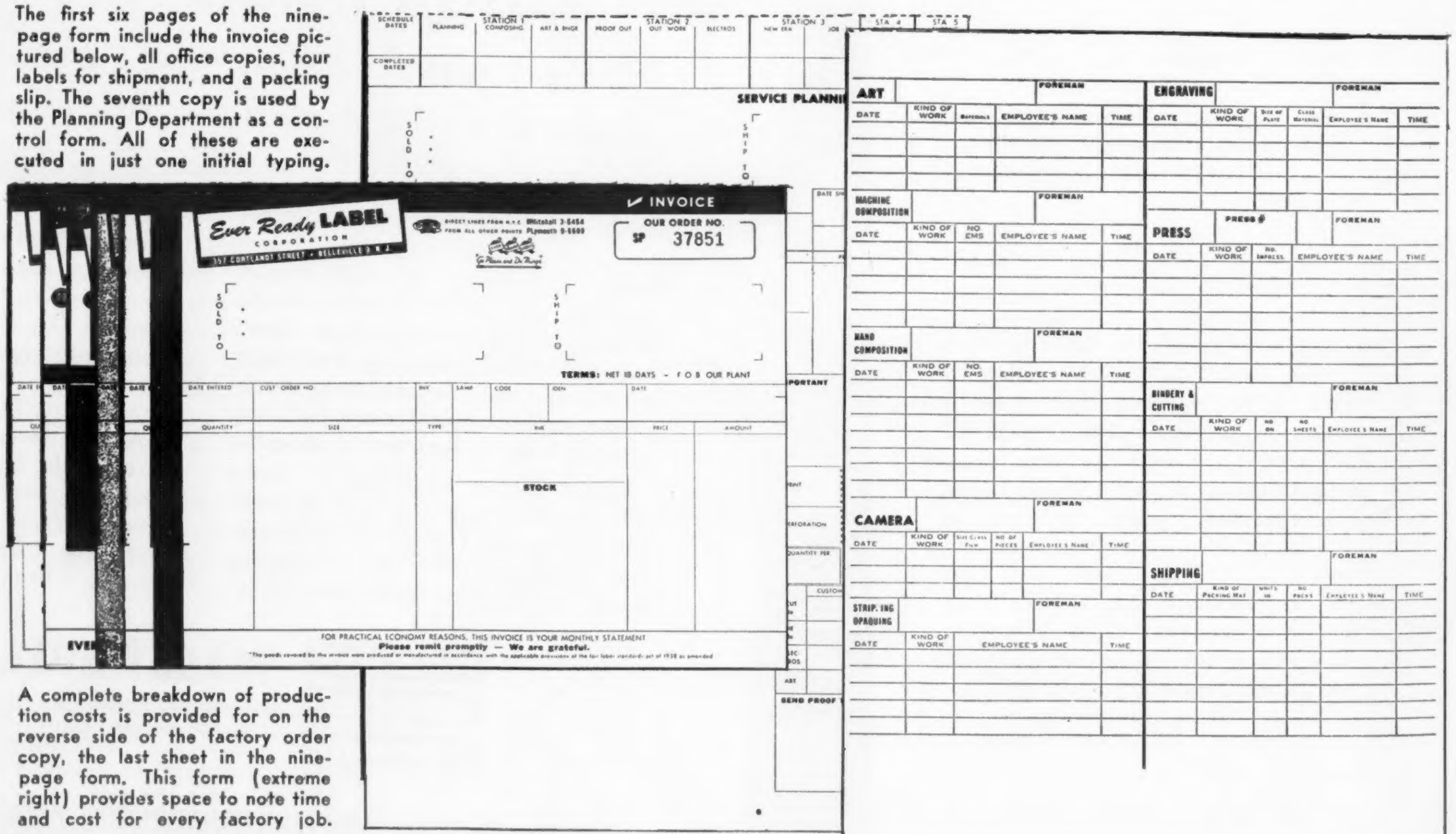
It was decided to review the existing procedures and forms with the following objectives:

1—Reduce clerical costs.
2—Reduce transcription costs and errors.
3—Secure better controls.
4—Improve customer service.

The survey, passing through the various stages of fact finding, forms design, and mechanical construction, brought to light many opportunities for streamlining their operations and reducing their costs. Their new Billing Production Order form (Figure 1) represents a practical, effective combination of many forms. It combines, in one typing, the data which formerly was prepared in four separate writings, *including* an addressing operation to head up all the individual forms with the custom-

THE MULTI-COPY FORM BELOW REPLACED VARIOUS SPECIALIZED FORMS LIKE THESE ►

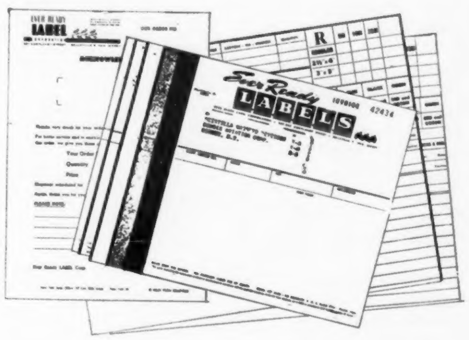
The first six pages of the nine-page form include the invoice pictured below, all office copies, four labels for shipment, and a packing slip. The seventh copy is used by the Planning Department as a control form. All of these are executed in just one initial typing.



A complete breakdown of production costs is provided for on the reverse side of the factory order copy, the last sheet in the nine-page form. This form (extreme right) provides space to note time and cost for every factory job.

cuts cost, control

How to keep forms current with company requirements and policy



er's name and address. This nine-part form sets up complete control of the order from the time it is received to final billing.

Many advantages and controls

All orders are now entered in the Planning Department within 24 hours of the time they are received. Orders received in the morning are in the Planning Department the same day as a result of the reduced operations. Previously, there had been a time lag of as much as four days.

All orders are acknowledged to the customer within 24 hours with a carbon copy in complete detail. Previously, a handwritten form was mailed within a few days showing only the quantity, price, and approximate delivery date.

The new method assures that everything shipped is eventually billed. The invoice copies are suspense filed, with carbons ready for final entries, pending return of the Factory Order showing quantity and date shipped.

A Packing Slip and four labels are

secured as a by-product of the original typing. This reduces clerical work and shipments are promptly dispatched with the Packing Slip and labels in readiness. All labels are as accurately addressed as the invoice.

In the space at the top of the Service Planning and Factory Order copies, the Planner shows the required schedule dates to the various production stations. These, in turn, report completion dates for each operation to the Service Planner, thus providing a current process record for approximately 3,500 open orders at all times.

The complete cost picture for every order is available as the elapsed time for each operation is posted to the reverse side of the Factory Order copy.

The Sales Analysis copy serves two purposes: It is the basis of computing commissions, and it is the source document for preparing sales reports. From the Sales Mission copy, the addressing plates are always kept up-to-date for Sales Promotion mailings, etc.

By using the format of the new form on Telephone and Salesman's Orders, all information appears in the same sequence from form to form. This increases the speed and accuracy of the order entry.

Additional advantages from form

Also, invoices are used with window envelopes, eliminating addressing time and cost and possible wrong enclosure. Time studies have shown that this saves approximately $5.00 per thousand forms. The form has been designed to eliminate non-productive typing operations, through spacing and location of areas. Copy control is handled by varying page and carbon lengths. Thus, each department gets only the specific data it needs.

Changing needs create situations which, if not reviewed periodically, may inflate clerical costs until a crisis is presented. In this instance, the Ever Ready Label Corporation released the full time of three operators for other work. At the same time, their orders are processed more accurately, in less time and with additional controls required to conduct their ever mounting volume of business.

For more information, circle number 387 on the Reader Service Card.

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TO

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